

University of Zagreb - Faculty of Economics and Business
Croatian Chamber of Economy

Ekonomski fakultet Sveučilišta u Zagrebu
Hrvatska gospodarska komora

TRADE PERSPECTIVES 2015
Innovations in Food Retailing

PERSPEKTIVE TRGOVINE 2015.
Inovacije u maloprodaji hrane

Proceedings of The International Scientific Conference
Zagreb, Croatia, 18th and 19th November 2015

Zbornik međunarodne znanstvene konferencije
Zagreb, 18. i 19. studeni 2015. godine

Edited by / Uredili:

Nikola Knego

Sanda Renko

Blaženka Knežević

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FOREWORD

The retail industry is the most sensitive to changes in consumer behavior. It is the industry that firstly responds to both positive and negative trends in the environment, and this is particularly true for food retailers.

There are two major challenges in front of contemporary retailers, with the whole new set of market terms and conditions and which results in even greater need for innovation in order to survive in the market and in order to obtain the competitive advantage. These are: the recession and the rapid technological innovation.

The recession as an economic fact puts retailers in front of consumers that are more sensitive to price, so retailers must innovate themselves in order to increase cost efficiency. While technological innovation, puts them in front of consumers which are fully informed, so retailers have to innovate even more in order to become better and differentiate in comparison to other retailers.

Accordingly, nowadays retailers are faced with well-informed and cost-demanding consumers. So they search for ways to innovate, not only technologically but in all other ways, starting from the approach and communication with consumers, to ways of pricing and assortment planning, to ways to provide services and ways of performing business processes. As already mentioned, the dynamics of innovation is the most evident in the retail food sector, and this publication aims to address different aspects of innovation precisely in this area.

This publication is the result of a scientific conference Trade Perspectives taking place since 2010, i.e. 90th anniversary of the Faculty of Economics, University of Zagreb. The conference has continuum ever since, year after year, putting into a focus some relevant topic in the field of trade. We can proudly say that the Conference is profiled as one of the most important in the field of trade in the region and numerous ways of cooperation on scientific research in the area of Central and Eastern Europe emerged out of it. Also, the publication that accompanies the Conference has become an inevitable source in the writing of scientific, technical, senior and graduate theses in Croatia and region.

We are honored that the quality of the conference and the accompanying publication has been recognized not only by the Faculty of Economics, University of Zagreb, but also by the Croatian Ministry of Science, Education and Sports , and by the Croatian Chamber of Economy who, starting from this year, co-found conference activities and the accompanying publication. We thank them warmly for their efforts and financial contribution.

And finally, to The Faculty of Economics, University of Zagreb, on the occasion of the 95th anniversary, we wish a tremendous success in its work, especially in its efforts to foster trade as an important discipline in the system of economic sciences.

Zagreb, November 2015

Nikola Knego, PhD
Sanda Renko, PhD
Blaženka Knežević, PhD

PREDGOVOR

Maloprodaja je gospodarska grana najosjetljivija na promjene ponašanja potrošača. Ona prva reagira i na pozitivne i na negativne trendove iz okruženja, a to osobito vrijedi za maloprodaju hrane. Dva su velika izazova koja pred maloprodaju danas postavljaju nove uvjete poslovanja i iz koje proizlazi još veća potreba za inoviranjem radi održavanja na tržištu i radi stjecanja konkurenske prednosti. To su: recesija i rapidne tehnološke inovacije.

Recesija kao ekonomska činjenica pred maloprodavače dovodi potrošače koji su sve osjetljiviji na cijene, pa maloprodavači moraju uvoditi inovacije orijentirane na povećanje troškovne učinkovitosti. Dok tehnološke inovacije, potrošače stavljaju u poziciju potpune informiranosti što je za maloprodavače još jedan dodatni izazov pa se moraju inovirati kako bi bili bolji i izdvojiti se od drugih maloprodavača.

Dakle, maloprodavači se danas susreću s vrlo informiranim i cjenovno vrlo zahtjevnim potrošačima. Zato oni traže načine kako se inovirati, ne samo tehnološki nego na sve druge načine, od pristupa i komunikacije s potrošačima, do načina formiranja cijena i asortimana, načina pružanja usluga te načina izvođenja poslovnih procesa. Kako smo već napomenuli, dinamika inovacija je najizraženija u maloprodaji hrane, te se ovom publikacijom žele sagledati različiti aspekti inovacija upravo u ovome području.

Ova publikacija je nastala kao rezultat znanstvene konferencije Perspektive trgovine koja se od 2010. godine, tj. od 90-te obljetnice Ekonomskog fakulteta Sveučilišta u Zagrebu održava u kontinuitetu, godinu za godinom stavljajući u fokus neku relevantnu temu iz područja trgovine. S ponosom možemo reći kako se je ova konferencija do danas profilirala kao jedna od značajnijih iz područja trgovine u široj regiji te je iz nje proizišao i niz suradnji na znanstvenim istraživanjima na području Srednje i Istočne Europe. Također, publikacija koja ju prati postala je jedan od nezaobilaznih izvora u pisanju znanstvenih, stručnih, završnih i diplomskih radova u Hrvatskoj i šire.

Izuzetna nam je čast što je kvaliteta konferencije i prateće publikacije prepoznata ne samo od Ekonomskog fakulteta Sveučilišta u Zagrebu, već i od Ministarstva znanosti, obrazovanja i športa Hrvatske, te od Hrvatske gospodarske komore koji od ove godine sufinanciraju konferencijske aktivnosti i prateću publikaciju. Na tome im se srdačno zahvaljujemo.

Ujedno Ekonomskom fakultetu Sveučilišta u Zagrebu, povodom 95. obljetnice postojanja želimo puno uspjeha u daljnjem radu, a poseban uspjeh želimo mu u njegovanju trgovine kao važne discipline u sustavu ekonomskih znanosti.

U Zagrebu, studeni 2015.

Prof. dr. sc. Nikola Knego
Prof. dr. sc. Sanda Renko
Izv. prof. dr. sc. Blaženka Knežević

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INSTITUTIONAL INNOVATION AS A FACTOR OF FOOD RETAIL DEVELOPMENT

Sreten Ćuzović; Svetlana Sokolov Mladenović
Faculty of Economics, University of Niš, Serbia

Đorđe Ćuzović
Business School in Novi Sad, Serbia

Abstract

Trade, especially retail and food retail, belongs to a group of innovation-intensive activities. The contemporary theory and progressive practice regard retail innovation as institutional, functional, and technological. The subject of this paper is institutional innovation. This refers to total innovation in retail, especially innovation in certain retail institutions, such as department stores, supermarkets, hypermarkets, discount stores, etc. In the long term, institutional innovation plays a leading role in trade and retail, allowing significant progress in the functioning of trade. At the same time, institutional innovation is accompanied by certain risks, and can have significant economic effects. For this reason, this paper views institutional innovation as a factor in the development of food retail. In accordance with the defined research subject, the aim of this paper is to analyze the diversity of institutional innovation in retail. The starting hypothesis in the paper is that institutional innovation affects the development of food retail. This hypothesis will be tested following the example of 250 largest retailers in the world, as seen by the volume of sales, with a special focus on food retailers. The statistical material will consist of available data on the ranking of the largest retail companies, viewed by the sales volume, in the period from 2009 to 2013, annually published by the consulting firm, Deloitte Touche. The analysis in this paper aims to show the participation of individual retail institutions in the observed sample of 250 companies, as well as their trend in the observed five-year period. At the same time, the position of the individual companies in the list of the most successful ones changes over time, and the aim of the paper is to show whether this is the result of institutional innovation.

Key words: retail, innovation, retail institutions

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1. INTRODUCTION

Retail is a tertiary, labor-intensive and innovation-intensive industry, which is in many countries developing in line with the development of production and consumption. Its role in the development of the economy is constantly increasing, meaning that its share in the creation of gross domestic product, national income, and employment increases. Continuous strengthening of the role of retail in the overall economy is a result of the application of innovation, which can occur in the form of institutional, functional, and technological innovation. Food retail sector is an integral part of the overall retail, and shares its fate. Therefore, the application of innovation gets its form of expression in food retail. Based on these facts, the research subject in this paper is institutional innovation, and its application in the food retail sector. The research will be divided into three parts. The first part will refer to the evolutionary approach to innovation in trade, with particular reference to food retail sector and implementation of institutional innovation, through a variety of shapes and forms. The second part of the paper analyzes the different theories of institutional changes in food retail, with a focus on lifecycle of retail institutions or business formats in the European Union. Based on theoretical considerations, the third part of the paper will test the underlying hypothesis (H0): the number of business formats used by food retailers is a determinant of their position in the top 250 retailers in the world. Besides the underlying one, the additional hypothesis will be tested as well (H1): in addition to the number of used business formats, the number of countries where the food retailer operates is a statistically significant determinant of its ranking among the top 250 retailers. In order to test the established hypotheses, the paper will rely on the data on the ranking of food retailers in the list of 250 most successful retailers, published by the consulting firm, Deloitte Touche.

2. THE EVOLUTIONARY APPROACH TO INNOVATION IN TRADE AND FOOD RETAIL

Innovation is one of the main characteristics of trade in developed market conditions. Virtually no sector of the economy is subject to such change intensity as trade. That is why the experience of the past development of trade is abundant. It offers the possibility for certain generalizations and for consideration of certain principles in the processes of innovation in trade (Ćuzović, Sokolov Mladenović, 2014).

Innovation is the main lever of economic progress, regardless of the characteristics of the socio-political system. Product innovation contributes to the spread of the range offered on the market, but also to significant changes in marketing channels. In the wholesale and retail, innovation continuously has strengthened its position in the marketing system. Innovation in the organization of consumers and its impact on socio-economic trends has not been without impact on the activity of marketing channel members. The question is which principles have arisen from the past development of trade. They are primarily reflected in the innovation processes and application of modern techniques and technology in trade. In this regard, the following principles can be observed (Lovreta et al., 2013):

- In the economically most developed countries, innovation in trade normally occurs;
- In the trade of less developed countries, the process of accepting innovation is constantly intensifying;
- The whole process of innovation in trade intensifies, which permanently reduces the lifecycle of trade institutions;
- Large, multifilial organizations dominate in innovation;

- Innovation appears in all aspects of the functioning of trade, i.e. technique and technology, management and overall content of marketing activities.

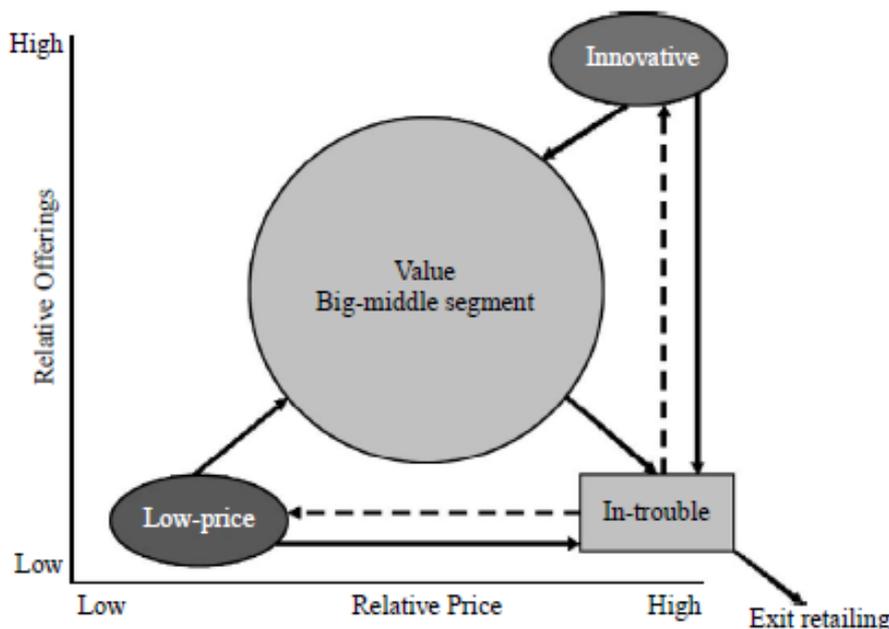
There are basically two types of innovation in trade. The first relates to the so-called *institutional innovation*. It is a holistic innovation in trade, in particular the innovation of individual trade institutions, such as department stores, supermarkets, discount stores, etc. The second group refers to the so-called *functional innovation*. It appears in the performance of certain functions or segments of the business activities of a commercial enterprise.

In the long term, the leading role in trade certainly belongs to institutional innovation. This innovation can make significant advances in the overall technology and the functioning of trade. It is accompanied by certain risks and can have significant economic effects. Therefore, institutional innovation has long-term significance in trade. Functional innovation can have a daily character, and can be manifested in the daily adjustment of activities within retail outlets, but also within the entire business of a commercial enterprise.

Offerors, i.e. producers, are the most important in the so-called functional innovation of new products. Retailers are often perceived as adapters of institutional innovation, but also often as the original subjects of innovation on local markets. Along with this, retailers are commonly regarded as the original actors in innovation in the product range policy and other marketing activities on a competitive local market. For all types of institutional and functional innovation, consumers show their attitude through their reactions. Consumers are in a position to accept or reject a particular innovation. Therefore, it can be concluded that consumers have a very important and sensitive role in the overall process of innovation in trade (Dunne et al., 2014).

The importance of this innovation for retail is illustrated through the concept of “the big middle segment”, which examines the relationship of the pricing strategy and product range strategy (Figure 1).

Figure 1. The concept of the “big middle”



Source: Levy, M., Grewal, D., Peterson, R.A., Connolly, B. 2005, p. 84.

Based on this concept, it can be seen that modern retailers and, consequently, food retailers, may be in one of four areas: innovative, in the “middle”, with low prices, or in trouble. Which segment retailers will operate in depends on their pricing strategies and the “package” deals (Reynolds et al., 2007). In addition, this model has been developed to indicate changes in retail over a relatively long period of time, where one of the key changes is the change in institutions, i.e. retail business formats. These changes specifically explain the theory of institutional innovation in retail, which is subject to subsequent analysis.

3. THEORIES OF INSTITUTIONAL INNOVATIONS IN TRADE AND FOOD RETAIL

There are numerous theories of institutional changes in trade, and, thus, in food retail. There is no theory that can be universally accepted and applied, because these are the theories that complement each other.

Starting from the existing theoretical material in this scientific research field, Brown (1987) divides partial theories of trade development into three groups:

1. Cyclical,
2. Theories of conflict, and
3. Theories of environment.

The most famous *cyclical theory* is the theory of wheel of retailing, created by the American author, McNair (Ćuzović, Ivanović, 2010). This theory describes the movement of a trade institution, i.e. business format, through various stages. In the first stage, innovative business format enters the market with a lower status: lower prices, service, and product range. Then it goes through a phase when, under the pressure of the competition, it needs to improve its status. In the last phase, the phase of saturation, business format becomes inflexible. Therefore, certain business format passes through the previously described phases, thereby forming a wheel of retailing.

Despite its contribution to explaining the development of trade institutions, theory of wheel of retailing has certain disadvantages. First of all, this theory cannot be universally applied to all business formats. Thus, the development of department stores and supermarkets follows the theory of wheel of retailing, while the development of shopping centers and specialized stores takes place contrary to the logic of this theory.

One of the disadvantages of this theory is that it overlooks the influence of various factors on the institutional changes in trade. Thus, some authors, in an attempt to compensate for this shortcoming of the wheel of retailing theory, point out that there are factors of the environment (Buclin, 1972; Hollander, 1972; Lewis, 1945) and factors of conflicts (Bartels, 1981; Dreesman, 1968), as determinants of institutional changes in trade.

Starting with the strengths and weaknesses of the wheel of retailing theory, seen from the international perspective, this theory is an important instrument for understanding the development of trade institutions and business formats on different markets. However, whether the development of a business format will follow the wheel of retailing theory depends on the level of market development. Thus, for example, if one trade company enters the developed markets, the emergence and development of its business format follows the

wheel of retailing theory, while on the less developed markets, such similarity cannot be expected. Generally speaking, markets with similar economic and social conditions are characterized by the wheel of retailing theory, while on different markets, the emergence and the development of business formats takes place in a different way.

Besides the wheel of retailing theory, the theory of conflicts gives its contribution to explaining the institutional innovation. According to this theory, the institutional changes in trade are the result of conflicts between different business formats or different categories within one business format, so that one can speak of an inter-institutional and intra-institutional conflict. In fact, this theory emphasizes the reaction of a business format to the appearance of a new one, independent of whether it is a business format of a domestic or foreign trade company. So, there are four stages through which the existing business format goes after the appearance of the new one, and they are (Martenson, 1981):

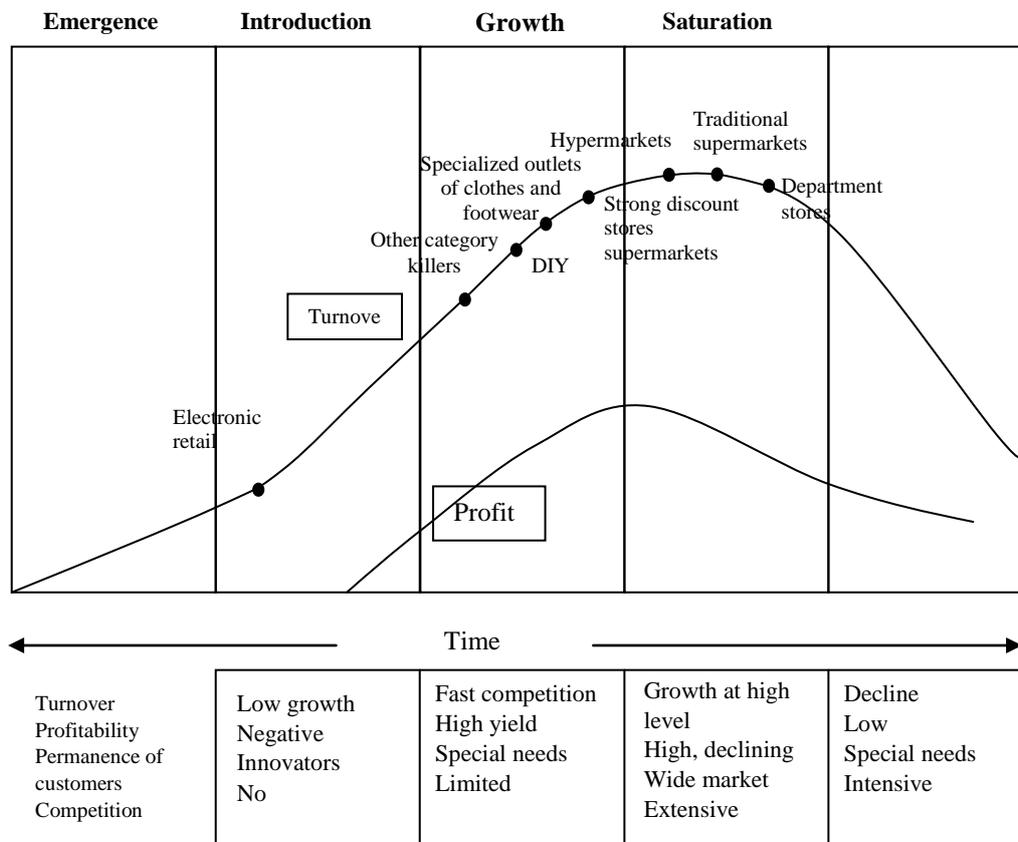
- Phase of shock, in which the business format behaves cautiously, looking at a new business format as a threat that cannot be overcome;
- Phase of defensive step-back, in which the business format aims to maintain the existing market position;
- Phase of confirmation or recognition, in which the business format perceives the reality and tries to counteract the new one; and
- Phase of change, in which the business format creates a strategy to react to the danger of the new one, whereby this strategy is directed either to imitation or to differentiation.

Practice shows that the most common reaction to the emergence of a new business format is based on the creation of a completely opposite strategy in relation to the innovator. This, in turn, influences the development of the third business format or trade institution that combines strategy elements of the first two business formats, which can be described by the case of the creation of discount department stores through the synthesis of strategies of discount stores and department stores. The principles of the theory of conflicts described as above can be applied both on the national and the international market.

Theories of environment, just like the previous two, contribute to the theoretical explication of institutional innovation. These theories are based on the fact that the trade cannot be viewed in isolation from the environment. In this context, institutional changes in trade are determined by the influence of many factors. In an effort to draw attention to these factors, Arndt (1972) and Cundiff (1965) see the development of trade institutions in the context of the economic development of the country. According to these authors, the personal consumption level and geographic concentration of population determine the number of customers per retail store and sales volume per store to a large extent. Generally speaking, this theory sees the emergence and development of trade institutions in the context of social and economic conditions that exist in a country. So, better conditions on one market create an adequate basis for the development of business formats of retail companies.

Previous presentation points to the fact that the partial theories of trade development contribute to the theoretical explication of institutional innovation. However, they should not be viewed in isolation, but as theories that complement each other. Based on these theories, but also the current state and development of business formats, the life cycle of retail institutions can be constructed. This life cycle in the EU can be seen in Figure 2.

Figure 2. Life cycle of retail institutions in the European Union



Source: Planet Retail, available at:
<http://www.planetretail.net/presentations/ApexBrasilPresentation.pdf>

Thus, the development and functioning of trade and retail institutions takes place in certain cycles. The cyclicity is caused by the presented concept of life cycle. All this shows that there are certain principles in the evolution of trade and retail institutions. The presented theories of institutional changes in trade deal with these questions.

4. RESEARCH METHODOLOGY

Based on previous theoretical considerations, further analysis in this paper will refer to the development of the leading food retailers, with a focus on their business formats. Statistic data is the data on the list of the biggest retailers (top 250), published annually by the consulting firm, Deloitte Touche. The period of observation will include the period from 2009 to 2013.

4.1. Research sample and data

In accordance with the defined research question, whether the number of applied business formats affects the company's positioning in relation to the competition, the subject of the analysis will be data from the last five annual reports of the Global Power of Retailing (<http://www2.deloitte.com/be/en/pages/consumer-business/articles/global-powers-of-retailing.html>). The research will focus on twenty food retailers, which, during the last five

years, in these reports occupied the first 60 places in the rankings. This is a direct consequence of the fact that in the first 60 retailers in the rankings, at least 20 are from the category of food retailers during the last five reporting periods. On the other hand, if the structure of 250 largest retailers in the period from 2009 to 2013 is analyzed, a dominant share of food retailers in the total number of top 250 retailers can be seen, viewed from the aspect of their number, but also in terms of their sales volume. This can be seen in Table 1 below.

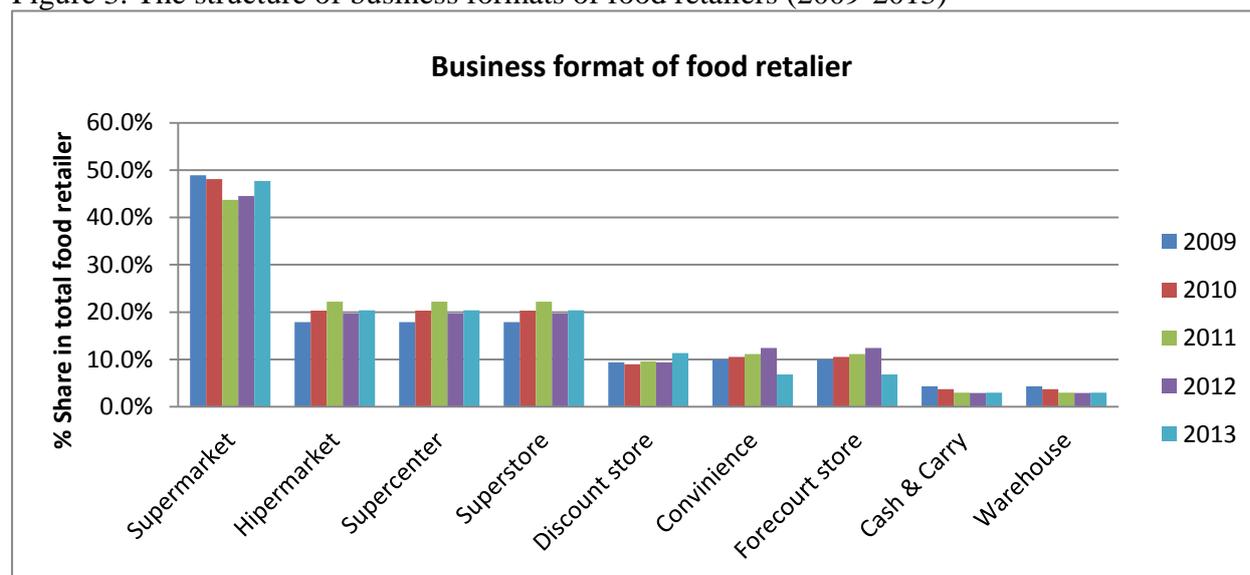
Table 1. The share of food retailers in top 250 (2009-2013)

	2009	2010	2011	2012	2013
The share of food retailers in top 250 (in terms of the number)	55,6%	53,2%	54%	54,8%	52,8%
The share of food retailers in top 250 (in terms of sales volume)	68%	66,6%	67,8%	68,3%	67,5%

Source: Authors' calculation based on data available at reports: Global Power of Retailing 2011-2015.

Food retailers use different business formats to carry out their activities. Their structure indicates the number and diversity, as can be seen in Figure 3.

Figure 3. The structure of business formats of food retailers (2009-2013)



Source: Authors' calculation based on data available at reports: Global Power of Retailing 2011-2015.

After the defined research sample, it is necessary to specify the data that will be subject to the analysis. As the aim is to explore the impact of the used business formats on the positioning and business performance of food retailers, for the purposes of this paper, the focus will be on the number of used business formats in the last five reports of the Global Power of Retailing. At the same time, according to the available data from the report, the positioning of food retailers, compared to the competition, will be monitored based on their ranking in the observed reports. The data subject to the analysis is presented in Annex I to this work.

Starting from the defined research sample and data, the paper will test the underlying hypothesis (H0): "the number of business formats used by food retailers is a determinant of

their positions in the top 250 retailers in the world”. In addition to the underlying hypothesis, the additional hypothesis (H1) will be tested as well: “in addition to the number of used business formats, the number of countries where food retailer operates is a statistically significant determinant of its ranking among the top 250 retailers”. The additional hypothesis is the result of numerous theoretical and empirical studies on the importance of internationalization of retail (Alexander, Doherty, 2009; Alexander, Doherty, 2010; Ćuzović, Sokolov Mladenović, 2008; Ćuzović, Sokolov Mladenović, 2012).

In order to test the established hypotheses, the work will rely on the method of standard multiple regression. The choice of this method results from the fact that it examines the correlation between one continuous dependent variable (in this case, the ranking among the top 250 retailers in the world) and two or more independent variables or predictors (in this case, the number of used business formats and the number of countries in which the retailer operates). In this study, through the method of standard multiple regression, all the predictors are simultaneously entered into the regression equation. This allows for the assessment of the predictive power of each independent variable, i.e. measurement of its contribution to the improvement of the model, consisting of other independent variables. In statistical terms, this method examines how much of the unique variance of the dependent variable (ranking in the list of top 250 retailers) is explained by each of the independent variables separately (the number of used business formats and the number of countries in which the retailer operates).

4.2. Results and discussion

By using the SPSS program, the analysis was initiated by descriptive statistics. The results of descriptive statistics are presented in Table 2.

Table 2. Results of descriptive statistics

	Mean	Std. Deviation	N
Ranking	17,49	14,106	100
Num. of Format	2,05	1,167	100
Number of Country	13,36	10,030	100

Source: Authors' calculation

According to the data in Table 2, it can be concluded that the standard deviation in ranking is equal to the average value, i.e. that the analyzed food retailers are among the better ranked ones (in this case, among the top 60). The average number of countries in which they operate is 13, but there is also a great standard deviation, so, according to this criterion, there is a large dispersion. In terms of the number of business formats, it can be seen that the average is 2, and the standard deviation about 1. This means that, in the sample, there is almost an equal number of observations of those that use only one business format and those using two or more business formats. This is particularly important for the research subject.

The results of descriptive statistics regarding the correlation coefficient between the dependent and independent variables are shown in Table 3.

Table 3. Correlation coefficients

		Ranking	Num. of Format	Number of Country
Pearson Correlation	Ranking	1,000	-,441	-,492
	Num. of Format	-,441	1,000	,545
	Number of Country	-,492	,545	1,000
Sig. (1-tailed)	Ranking		,000	,000
	Num. of Format	,000		,000
	Number of Country	,000	,000	
N	Ranking	100	100	100
	Num. of Format	100	100	100
	Number of Country	100	100	100

Source: Authors' calculation

The results in Table 3 show that the posed research question is justified. In fact, there is no strong correlation between the independent and dependent variables (greater than 0.7), but among them there is a weak correlation, which justifies further research.

The results of standard multiple regression are shown in Tables 4 and 5.

Table 4. The results of multiple regression

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95,0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	30,312	2,505		12,098	,000	25,339	35,284					
Num. of Format	-2,974	1,238	-,246	-2,401	,018	-5,431	-,516	-,441	-,237	-,206	,703	1,422
Number of Country	-,503	,144	-,358	-3,495	,001	-,789	-,218	-,492	-,334	-,300	,703	1,422

Source: Authors' calculation

Table 5. The results of multiple regression

R	R Square	Adjusted R Square	Std. Error of the Estimate
,533 ^a	,485	,470	12,054

Source: Authors' calculation

Data in Table 3 points to the conclusion that there is no multicollinearity between the two defined independent variables. Specifically, in Table 4, in the "Tolerance" field, which shows how much of the variance of the given independent variable is not explained by the variances of other independent variables, it can be seen that the value of this variable is 0.703. The value of this indicator less than 0.1 indicates a too high correlation with other variables, and that there is multicollinearity, so that the model is not good. In this study, it is not the case.

Table 5 shows that the value of the adjusted coefficient of determination is 0.47. This indicates that the constructed model, which includes the number of used business formats and

the number of countries in which the retailer operates, explains 47 percent of variance of the position in the ranking (ranking among the top 250 retailers). The choice of the adjusted coefficient of determination is the result of a relatively small sample of 100 observations. From the standpoint of this criterion, the model is justified.

In order to evaluate the contribution of each independent variable in explaining the ranking among the top 250 retailers, the standardized value of Beta coefficient is monitored and presented in Table 4. This points to the conclusion that the independent variable (number of countries in which the retailer operates) individually contributes most to the explanation of the independent variable (place in the rankings), when the variance explained by another independent variable is subtracted (-0.358). A little lower Beta coefficient exists for the variable the number of business formats (-0.246), so that the contribution of this independent variables is somewhat smaller.

If one takes into account that both variables (the number of used business formats and the number of countries in which the retailer operates) have the value of the “Significant” coefficient less than 0.05, it can be concluded that they give a statistically significant contribution to the prediction of the dependent variable. In other words, the number of used business formats and the number of countries in which the retailer operates are statistically significant determinants of positions which the particular food retailer holds among the top 250 retailers in the past five analyzed reports. In this way, the underlying and the additional hypotheses have been proven.

Based on the above, one can construct a regression model that explains the ranking among the top 250 retailers in the observed five-year period (2009-2013). The regression equation reads:

$$\text{Ranking} = -2.974 \times \text{The number of used business formats} \\ - 0.503 \text{ The number of countries in which the retailer operates} + 30.312$$

With the clause *ceteris paribus* applied, regression equation indicates that an increase in the number of business formats by 1 leads to the improvement of the position by three places up the list of top 250 retailers in 20 companies in the analyzed period from 2009 to 2013.

5. CONCLUSION

Trade, especially the retail sector and the food retail, belongs to a group of sectors where many and varied types of innovation occur. Theory and practice classify this innovation in the group of institutional, functional, and technological innovations, which are not mutually exclusive, but mutually complementary. The leading role of retail in developed market economies, but also in emerging economies, is largely the result of institutional innovation, i.e. the permanent emergence and development of new trade institutions or business formats. The question is whether the introduction of new business formats, i.e. their diversity according to number and structure, may affect the positioning of retailers and food retailers among the most successful retailers. Accordingly, the paper tested this hypothesis, as well as the additional one: the number of countries where the food retailer operates is the determinant of its ranking in the list of top 250 retailers. To test this hypothesis, data from official reports on the most successful retailers (Global Power of Retailing) for the period from 2009 to 2013 was used. The results of the analysis showed that the number of used business formats and the number of countries in which the retailer operates are statistically significant determinants of

the position which the particular food retailer holds among the top 250 retailers in the past five analyzed reports. In this way, the underlying and the additional hypotheses have been proven. The results of the analyses have enabled the construction of a regression model that shows that the introduction of new business formats (increase in their number in the structure of business formats) improves the ranking of food retailers in the list of top 250 retailers.

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ANNEX I

	Year	Num. of Format	Number of Country	Ranking
Wal-Mart Stores Inc	2009	4,00	16,00	1,00
Wal-Mart Stores Inc	2010	4,00	16,00	1,00
Wal-Mart Stores Inc	2011	4,00	28,00	1,00
Wal-Mart Stores Inc	2012	4,00	28,00	1,00
Wal-Mart Stores Inc	2013	4,00	28,00	1,00
Carefour	2009	4,00	36,00	2,00
Carefour	2010	4,00	33,00	2,00
Carefour	2011	4,00	33,00	2,00
Carefour	2012	4,00	31,00	4,00
Carefour	2013	4,00	33,00	3,00
Metro AG	2009	3,00	33,00	3,00
Metro AG	2010	3,00	33,00	4,00
Metro AG	2011	3,00	33,00	4,00
Metro AG	2012	3,00	32,00	7,00
Metro AG	2013	3,00	32,00	7,00
Tesco plc	2009	4,00	13,00	4,00
Tesco plc	2010	4,00	13,00	3,00
Tesco plc	2011	4,00	13,00	3,00
Tesco plc	2012	4,00	13,00	2,00
Tesco plc	2013	4,00	13,00	5,00
Schwarz Unternehmens	2009	1,00	25,00	5,00
Schwarz Unternehmens	2010	1,00	26,00	6,00
Schwarz Unternehmens	2011	1,00	26,00	7,00
Schwarz Unternehmens	2012	1,00	26,00	6,00
Schwarz Unternehmens	2013	1,00	26,00	4,00
The Kroger Co	2009	1,00	1,00	6,00
The Kroger Co	2010	1,00	1,00	5,00
The Kroger Co	2011	1,00	1,00	5,00
The Kroger Co	2012	1,00	1,00	5,00
The Kroger Co	2013	1,00	1,00	6,00
Costco Wholesale Corp.	2009	2,00	9,00	7,00
Costco Wholesale Corp.	2010	2,00	9,00	7,00
Costco Wholesale Corp.	2011	2,00	9,00	6,00
Costco Wholesale Corp.	2012	2,00	9,00	3,00
Costco Wholesale Corp.	2013	2,00	9,00	2,00
Aldi GmbH	2009	1,00	18,00	8,00

	Year	Num. of Format	Number of Country	Ranking
Aldi GmbH	2010	1,00	18,00	10,00
Aldi GmbH	2011	1,00	17,00	8,00
Aldi GmbH	2012	1,00	17,00	9,00
Aldi GmbH	2013	1,00	17,00	8,00
Rewe-Zentral AG	2009	1,00	13,00	12,00
Rewe-Zentral AG	2010	1,00	13,00	12,00
Rewe-Zentral AG	2011	1,00	11,00	19,00
Rewe-Zentral AG	2012	1,00	11,00	22,00
Rewe-Zentral AG	2013	1,00	11,00	21,00
Edeka AG	2009	1,00	1,00	14,00
Edeka AG	2010	1,00	1,00	16,00
Edeka AG	2011	1,00	1,00	15,00
Edeka AG	2012	1,00	1,00	18,00
Edeka AG	2013	1,00	1,00	16,00
Groupe Auchan SA	2009	3,00	14,00	15,00
Groupe Auchan SA	2010	3,00	13,00	15,00
Groupe Auchan SA	2011	3,00	12,00	12,00
Groupe Auchan SA	2012	3,00	13,00	14,00
Groupe Auchan SA	2013	3,00	13,00	14,00
Aeon Co Ltd	2009	3,00	9,00	18,00
Aeon Co Ltd	2010	3,00	8,00	17,00
Aeon Co Ltd	2011	3,00	9,00	13,00
Aeon Co Ltd	2012	3,00	10,00	13,00
Aeon Co Ltd	2013	3,00	10,00	17,00
Safeway Inc	2009	1,00	3,00	24,00
Safeway Inc	2010	1,00	3,00	24,00
Safeway Inc	2011	1,00	3,00	25,00
Safeway Inc	2012	1,00	3,00	25,00
Safeway Inc	2013	1,00	3,00	30,00
Koninklijke Ahold	2009	1,00	10,00	25,00
Koninklijke Ahold	2010	1,00	10,00	25,00
Koninklijke Ahold	2011	1,00	11,00	26,00
Koninklijke Ahold	2012	1,00	12,00	26,00
Koninklijke Ahold	2013	1,00	7,00	24,00
ITM Development	2009	1,00	8,00	27,00
ITM Development	2010	1,00	8,00	27,00
ITM Development	2011	1,00	8,00	28,00
ITM Development	2012	1,00	8,00	29,00
ITM Development	2013	1,00	6,00	27,00
Delhaize Group	2009	1,00	6,00	32,00
Delhaize Group	2010	1,00	7,00	37,00
Delhaize Group	2011	1,00	11,00	32,00
Delhaize Group	2012	1,00	11,00	33,00
Delhaize Group	2013	1,00	9,00	33,00
Coop Italy	2009	1,00	1,00	47,00
Coop Italy	2010	1,00	1,00	52,00

	Year	Num. of Format	Number of Country	Ranking
Coop Italy	2011	1,00	1,00	56,00
Coop Italy	2012	1,00	1,00	60,00
Coop Italy	2013	1,00	1,00	60,00
Centre Distributeurs	2009	3,00	6,00	22,00
Centre Distributeurs	2010	3,00	7,00	23,00
Centre Distributeurs	2011	3,00	7,00	24,00
Centre Distributeurs	2012	3,00	7,00	24,00
Centre Distributeurs	2013	3,00	7,00	23,00
Casino Guichard	2009	3,00	25,00	26,00
Casino Guichard	2010	3,00	27,00	26,00
Casino Guichard	2011	3,00	26,00	22,00
Casino Guichard	2012	3,00	26,00	20,00
Casino Guichard	2013	3,00	29,00	13,00
Alimentation	2009	2,00	9,00	48,00
Alimentation	2010	2,00	9,00	43,00
Alimentation	2011	2,00	10,00	43,00
Alimentation	2012	2,00	19,00	31,00
Alimentation	2013	2,00	19,00	31,00

TECHNOLOGICAL INNOVATION IN RETAIL

Franciska Perković; Ines Dužević; Tomislav Baković
Faculty of Economics and Business, University of Zagreb, Croatia

Abstract

Innovations are critical for retail sector in order to achieve competitive advantages at continuously evolving market, especially regarding customers' expectations. This paper examines role of innovations in retail, with special focus on technological innovations. Technological innovation in retail is described using case study of the firm that developed innovative method for monitoring customer's behaviour in store, to gather information for management in the decision making process. Using analysis of the firm's documents and interviews with management, study showed how technological innovation process in retail is organised and its influence on business results. Results emphasised the fact that technological innovation in retail lead to higher level of customers' satisfaction and increase in sales.

Keywords: innovation, technological innovation, retail, competitiveness

1. INTRODUCTION

It is not enough only to satisfy customers' needs, especially in the competitive sectors, such as retail. Today, products and services should exceed customer's expectations and induce their loyalty to the brand. Modern customers are mobile, constantly connected to the Internet, well informed about international trends, care about product quality, sensitive to the prices, and less loyal to the brand (Vasiliu and Cercel, 2015). In such circumstances, innovations are the main leverage to improve competitiveness. New retail format, new technologies, new selling techniques, and new marketing strategies emerge accordingly (Dinu, 2015).

Previous researches showed that if customers are surprised by products and services that exceed their expectations, their satisfaction increases as a result of exceeding their initial neutral or even negative expectations at the time when they entered the store (Vasiliu and Cercel, 2015). Therefore, it is necessary to invest in innovations that enable better understanding of customers' habits and expectations.

Retail sector is exposed to continuous changes that are imposed by the large retailers and simultaneous pressures from the customers who are trying to utilize possibilities of the global environment, using different channels (such as on-line sale) and thus putting pressure on prices. Traditional stores are being challenged to improve their selling methods when electronic trade is increasingly taking their market share. One of the key advantages of electronic trade is possibility of following data about their customers that enable them to adjust their assortment, quality, and supporting services according to the customers' needs. In traditional store, the possibilities for following data about the customers are very limited, especially in the situation when protection of private data is strongly emphasised. Therefore,

new approaches and methods are necessary in order to understand customers and satisfy their needs.

This paper analyse influence of technological innovation on the business results in retail using the example of the company that invented the platform for following and collecting data about customers' behaviour in the store. Internal documentation review and interviews with management were used to explain the effect of technological innovation on business results in retail.

2. INNOVATIONS AND BUSINESS PERFORMANCE

Under contemporary business conditions, companies have to adjust to the market and evolve to ensure their competitive position. Companies are constantly faced with the fact that their competitiveness could bring new product to the market that will change basics of the market competition. Accordingly, the ability to change and adapt is essential for the survival of the company. Companies who are able to innovate and offer new products and services stand out from the competition and achieve significant growth and development.

This chapter defines the concept and types of innovation, and the role of innovation in achieving competitiveness in order to explain the influence of innovation on business results.

2.1. Defining innovation

Innovation can be defined as entire process of interrelated sub processes that include the concept of new idea, invention of new devices, and development of new market (Balasescu, 2012a). Innovation is often defined as managerial process, where innovation is management of all activities involved in the process of creating new idea, its technological development, production, and marketing of the new product, process or equipment (Trott, 2012). Moreover, innovation can be defined as expert or team work that leads to improvements of technology, productions process, product and service, or organizational structure which finally get new layout (Pop et al., 2012). Accordingly, innovations are new solutions, whether it is design, technological, or organizational solution, that are perceived as improvements, regardless of whether they are first or unique in the market. Innovation involves the application of information and creativity to ensure optimal utilization of available resources. It includes all processes by which new ideas are accepted and converted into useful products (Nanda et al., 2013).

When analysing innovation concept, it is important to emphasise the difference between innovation and invention, since two concepts are often used interchangeably. Innovation relates to something that started as an idea or invention but it has practical and commercial use. Therefore, invention is the concept of new idea, while innovation is implementation of invention in economic context (Trott, 2012).

According to Trott (2012) there are seven types of innovation: *product innovations* which are related to the development of new or improvement of existing product, *process innovations* include the development of a new process, *organizational innovations* related to new procedures or systems in an organization, *managerial innovations* which are related to new management systems, *technological innovations* include new production technologies or production organization, *commercial or marketing innovations* related to new selling

strategies, and *service innovations*. Innovations can be divided into radical and incremental innovations. *Incremental innovations* represent improvement of the existing products, processes or systems, such as introduction of new software to facilitate operations. *Radical innovations* are those that lead to creation of new markets that eventually completely overtake existing markets.

2.2. Innovations and competitiveness

Schumpeter was one of the first economists who emphasised the importance of new products as the stimulus of economic growth. He argued that competition imposed by a new product is more important than margins from changes in the prices of existing products (Trott, 2012). In contemporary business environment, innovations contribute to competitiveness in several ways. Research results consistently showed strong correlation between market success and new products. New products enable expansion and retention of market share, as well as increase of the profitability (Prester, 1999). Accordingly, radical innovation can be considered as the key source of company's competitive advantage (Baković et al., 2013). Baković and Ledić-Purić (2011) stated that innovations are the most important factor which pushes the company forward, enabling continuous creation of added values mainly to satisfy customers' needs, and consequently to satisfy basic needs of the company. Saniuta et al. (2013) emphasised the importance of innovation for achieving customers' loyalty and increasing revenues, because continuous improvements and introduction of new products ensure higher customers' commitment. Implementation of innovations leads to higher productivity, decrease of costs, better quality, safer working conditions, economic development, generates changes at micro-level, modifies the nature of work, and represents important basis for competitiveness (Pop et al., 2012). Hamel and Skarzynski (2001) argue that innovation strategy is the only way for company to deal with the changes, and that companies which do not innovate will quickly be shut down.

Retail sector is characterised by very strong competition which impose the need for constant improvement and adjustment of business practices. Thus, innovations are of the utmost importance for the retailers. Being first in the market is especially important to maximally utilize positive effects of innovations. For example, Wal-Mart has been first company who introduced many innovative technologies in their business processes. Other major retailers followed Wal-Mart. However, even if competitors adopt same business models, Wal-Mart will achieve higher productivity and profitability in the long run (Freeman et al., 2011). Technology is important for realising higher return on investments in any industry, and companies which introduce the technology first increase and keep their advantage over the competition.

Furthermore, integration of retail channels, using information technologies, ensures effective product delivery, and innovativeness in creating future offerings (Oh et al., 2012). According to Oh et al. (2012) environment has important role in the innovation processes and their implementation. Customers assess retailer's innovativeness, not only by new products but also by creative services, communication and atmosphere in store. Perceived retailer's innovativeness may increase customers' loyalty through positive influence on customers' perceived value (Lin et al., 2013).

3. INNOVATIONS IN THE RETAIL SECTOR

Retail has become dynamic sector that is changing rapidly, and appears in different organizational forms. These changes are the result of economical development and technological progress. The rapid development of retail persisted because of constant innovations that enabled retail sector to adjust to market conditions, increased customers' demand, and retailers' obligation to accept new circumstances. Accordingly, new demands on retailers emerged, aimed at development of services which will improve system of customer's satisfaction (Balasescu, 2012a).

Baković et al. (2014) pointed out the role of radical innovation culture in development of trade. According to their study, large retail chains should follow innovation culture development indicators, related to customers' satisfaction, when choosing their suppliers. Moreover, strong innovation culture leads to preferential treatment of the organization by trade chains. It can be concluded that strong innovation culture guarantees that company will generate radical product innovation, and in the case of retail companies it will increase satisfaction and develop better customer relations.

Based on the huge progress in information and communication technologies and increased customers' interest for exciting and interactive retail environment, retail sector is forced to focus on innovation to retain and attract new customers (Pantano and Laria, 2012). The role of innovativeness in the company in attracting new and retaining existing customers is of the utmost importance. Customer's decision to revisit a store depends largely on the experience from the first buying act. Innovation significantly influence customer's loyalty because they affect factors, such as customers' expectations, perceived quality, perceived value, corporate image, customers' satisfaction, customers' trust, and customers' complaints (Nanda et al., 2013).

Innovations bring many benefits in the retail (Balasescu, 2012a):

- create and maintain competitive advantage of the company,
- contribute to the development and retention of market position of the company,
- determine selling activities,
- determine success of different activities,
- decrease production costs,
- assure survival of retail stores in the crisis,
- provide the opportunity to expand market share,
- help retail stores to deal with frequent changes in customers' expectations and needs.

It can be concluded that retailers' and their suppliers' innovation culture have extremely high impact on customer's loyalty and business results.

3.1. Overview of the innovation development in retail

Innovation dimensions in the retail are: selling format, brands, innovation process, customer's experience, information technologies, new communication channels, payment possibilities, and order fulfilment (Pop et al., 2012). Innovations that have been implemented in retail sector led to intensive development, based on the development of new selling formats, techniques, and technologies that are used for business process optimization and attracting or

retaining customers (Balasescu, 2013). Therefore, innovations in retail have led to the expansion of the sector and created its dynamics.

Innovations in the retail can be divided into innovations in online stores and innovations in traditional stores. Because of huge progress in the information and communication technologies, retail sector is forced to seek for the innovative technical solutions (Pantano and Laria, 2012). The most important innovations in the retail sector were: self-service concept, bar codes, RFID technologies, merchandising, commercial information systems, and electronic trade (Balasescu, 2012a). Self-service is based on presenting many products at the same place without salesman. At the time of its implementation, self-service innovation presented huge change for the customers. Therefore, retailers needed to find right way to communicate with the customers about self-service benefits. Customers overtake the part of salesman job, such as carrying products throughout the store, but they benefit from shortened time waiting in lines, general reduction of the shopping time, greater opportunities, and lower prices (Alexander et al., 2009). Second significant innovation were bar codes. Bar codes represent the data that can be read and decoded by the optical scanner. The benefits of bar codes are simplifying and speeding up the sales, effective inventory control, simplifying products management, tracking serial numbers, automatic price selection, eliminating human error, easier physical distribution, faster invoice printing, inclusion of detailed information about bought products, reducing waiting time for customers (Balasescu, 2012a). RFID (Radio Frequency Identification) was a progress in bar codes use. The technology is based on RFID tags in which data are stored and retrieved using radio waves. The advantages of this technology, compared to bar codes, include: identification of goods, inventories and their locations, identification of the objects in motion, optimization of processes, automation, higher efficiency, constant availability of data and reports, cost reduction (Tsai et al., 2010). Next innovation was merchandising. The concept includes a set of methods and techniques to present products in active forms, packed in the best material and the best conditions for the product, at the store in order to optimize sales. Application of this concept ensures: continuous product availability, fast problem solving (such as incorrectly displayed prices or returns of products), availability of the information on stocks, sales trends and direct competition. Commercial information systems are also important innovation because they provide management with the relevant information for decision making process. Information relate to the market environment, retailer philosophy, sales strategies, business activities and information control centre. Commercial innovation systems include managerial, accounting, logistic information systems, and systems for following human resources and decision making (Balasescu, 2012a). The newest innovation in retail was electronic trade that present new distribution channel with significant advantages for customers and vendors.

Technology development, especially social networks and mobile technologies, have significant influence on the retail sector because customers increasingly use these channels for buying, using coupons, checking prices, product comparison, and collecting information (Balasescu, 2013). Customers' habits are modified according to these trends, and customers are looking for an integrated shopping experience that includes all channels, and retailers must adjust rapidly to the emerging requirements and deliver wanted products and services.

3.2. Technological innovation in retail

Technology is one of the main catalysts of the changes in customers' behaviour and attitudes. Availability of information about products, prices and performances is of the utmost importance for customers. Therefore, technology will continue to influence changes in the

retail sector. New generation of customers, who use information technologies and are dependent on the Internet, doesn't care if they buy products using mobile phones or inside the traditional store until they finally get wanted product, for the price they are willing to pay and until the shopping experience suits their mood (Aubrey and Judge, 2012).

Technological innovations are changes in the product or service, process or system incurred as a result of implementation of new technology. Narayanan and O'connor (2010) stated that technology evolution include changes in production processes or institutional solutions which enable production of more existing products and services or production of more advanced product and services from limited resources. Technology advancements can be divided into gradual, incremental changes of existing products or processes, or discontinued reversal caused by completely new, radical innovations.

Technological innovations positively affect customers and retailers. From the customers' perspective, technology use in the retail should ensure advanced shopping experience, regardless of the distribution channel, and creation of the place where customers can try out, explore, compare and evaluate, and buy the product. Technology in the store must be integrated, profound, and relevant for customers' needs. Customers appreciate communication, information and advices more than ever, and they will analyse product ratings before they decide about the purchase. Retailers should support their need to connect, as a part of shopping experience in the store, and facilitate their purchase decision (Aubrey and Judge, 2012). Retailers achieve competitive advantage and direct their operations through technological innovation, and consequently, adjust to the changes in customers' behaviour that eventually lead to effectiveness.

4. CASE STUDY OF TECHNOLOGICAL INNOVATION IN RETAIL

The idea for start up was born in 2012, aimed at building the platform for managing retail spaces. Today mission of the company is to create effective retail spaces which will turn customers into buyers and buyers into customers. Vision of the company is to be in all crucial areas of the fashion industry by 2020. In the first three years, company established offices in Amsterdam, Zurich, and London. The company operates with several brands in the fashion industry, such as Imagination, Scotch & Soda, Timberland, Coolcat, and Nike. They cooperate exclusively with big companies from fashion industry. Management believe that focus on one industry, based on the cooperation with big companies, will be a good foundation for expanding to other industries and general business growth.

Management realised that the emphasis is on the online behaviour of customers, a lot of time and money is spent on studying every click, mouse movement, every menu on the smartphone etc. They said that we live in two worlds, two universes. One is outside world in which things are as we see them, but there is other hidden world that answers the question: How do different parts function as a whole? It is the world that cannot be understood at the first sight. In the company, they try to decode the world which explains how places influence human behaviour and - How to reduce waiting in lines time? Can we completely eliminate waiting in lines? How to create spaces that stimulate our thinking? The aim was to create inspiring spaces. In the retail industry it means introducing new generations of stores, which were called shopable stores.

Online retailers implemented clever strategies and they achieved rapid growth. Management claim that the reason behind their success is following: Online retailers have an unfair advantage – they have the access to the data about customers through which they can affect shopping attractiveness and sales. Chief executive officer said that he wants to provide the same advantage for the traditional retailers. If specific features of traditional store, such as possibilities of seeing and touching the product and personal salesman service, are emphasised together with better understanding of customers' way of thinking and action, traditional retailers can compete with the online retailers and ensure survival in challenging market game.

The company offers a tool for retail optimization, based on innovative technology that process information collected by cameras installed in the store. The innovation is based on the fact that 70% of buying decisions are made at the store, while 0% of business decisions are made based on the customers' behaviour in the store.

Key obstacles in fashion retail are:

- managing inventories that is not based on the customers' behaviour,
- high level of investment in the stores without clear return on the investment measures, and
- data scattered in different systems and use of the data exclusively for the reporting purposes, instead of using it for decision making and to stimulate the changes.

Figure 1 represents the process which potential customer goes through from the moment he walks in the street by the store till the moment he exit the store. Usually, retailers pay attention only to the number of people who enter the store and final sales volumes. They neglect a series of phases that customer is going through, such as: reaction to the shop-window that attracted his attention, demographic characteristics of the customers who enter the store, salesman engagement, and customers' interest expressed as touching the product i.e. taking it in the hands.

Figure 1. Process through which the customer passes when entering the store



Source: Internal documentation of the company

Company provided a tool for decision making that enables managers in the fashion retail stores to act in order to increase shopping experiences of their customers. A tool is based on three components:

- 1) **attracting customers** through right visual merchandising,
- 2) **optimization of the arrangement and floor plan** to increase customers' engagement in the store
- 3) **performance management** by combining behaviour metrics computed from the first two components and sales results.

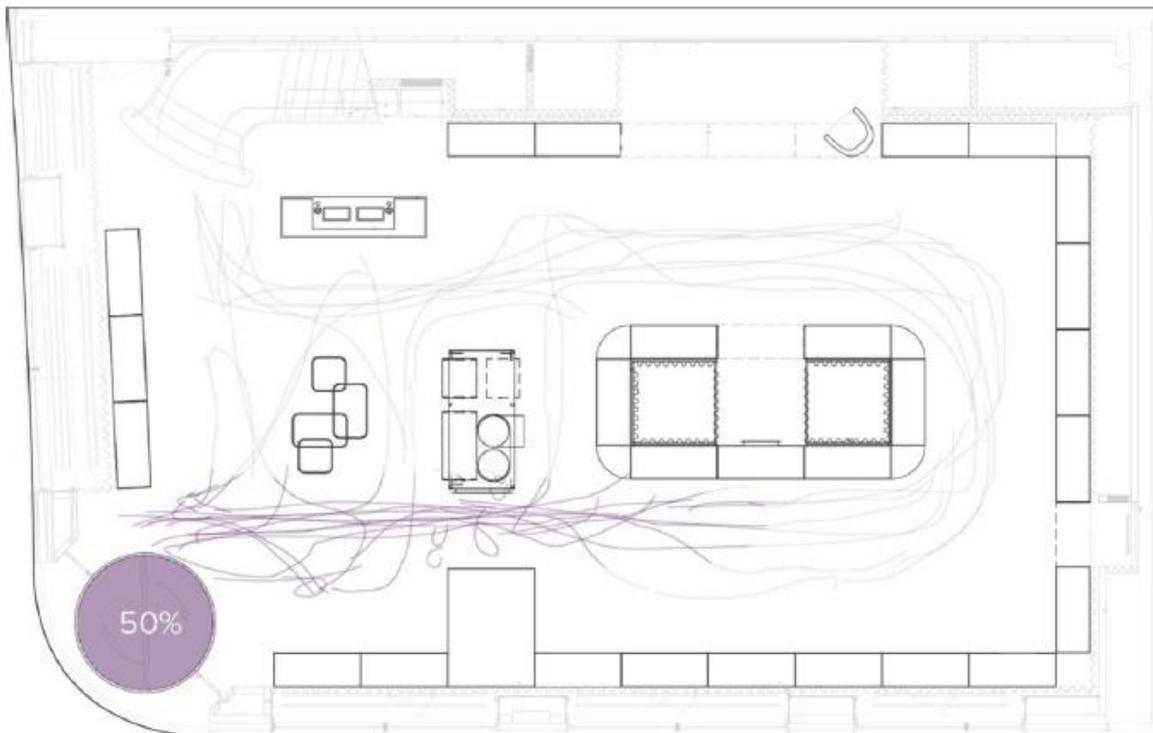
1. Customers' attraction

A tool for attracting customers determines who are the customers that enter the store. Success of the promotion and other activities of the retailers, aimed at attracting specific target group which will generate higher revenues, are determined using this tool.

This tool consists of:

- 1) visits counter which follows the number of the people who enter the store, but also the time of entrance and exit to optimize the number of employees at different times of the day,
- 2) collecting demographic characteristics of the customers (gender and age) to increase positioning and better target marketing campaigns,
- 3) calculator of retention in store which can determine how successful are the staff in their interactions with customers so that every minute of customers' time in store is effectively used.

Figure 2. Store ground plan with customers' motion intensity



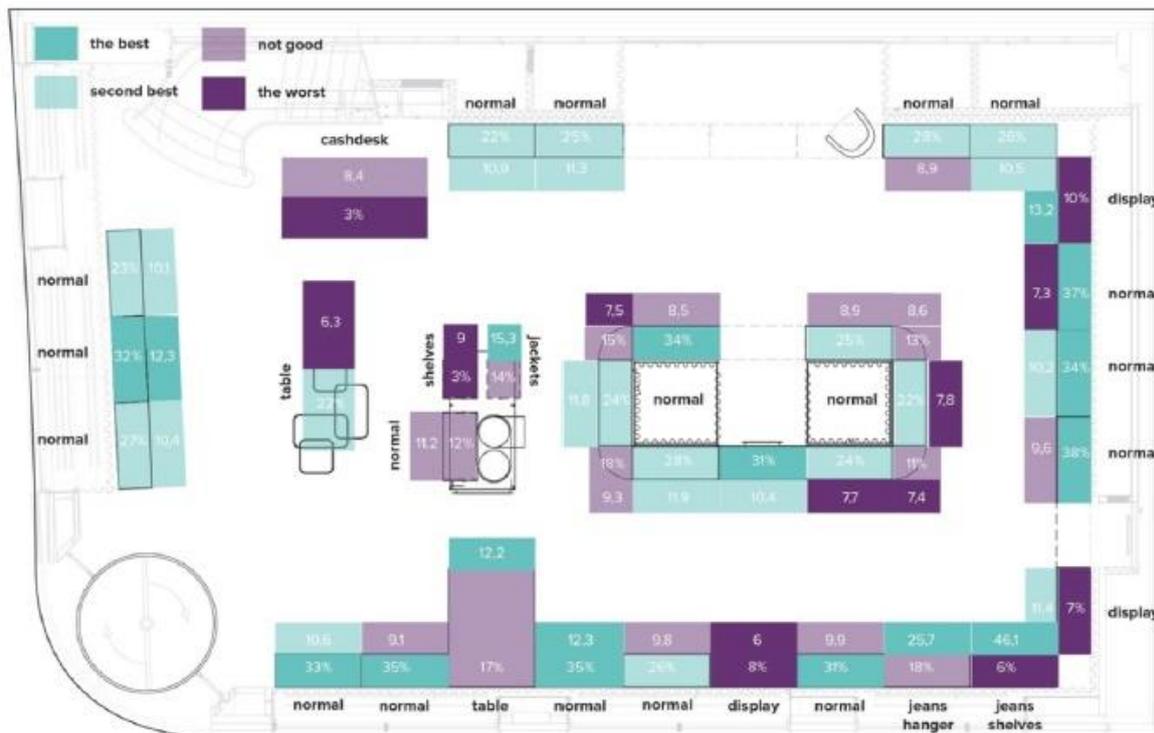
Source: Internal documentation of the company

2. Optimization of the store arrangement and floor plan

Using a tool for optimization of the store arrangement and floor plan, company analyse customers' behaviour inside the store to detect the fields that can increase customers' engagement. The tool records movement and retention of the customers inside the store using cameras. The routes with customers' movements and places where they spend most or least of their time are recorded. The example of collected data is provided in the Figure 2.

Collected data are also classified based on the demographic characteristic of customers, such as gender and age. Finally, the proposition of more efficient element organisation (entrance, cashdesk, shelves, floors etc.) inside the store is developed. The example is provided in the Figure 3. The percentages in the figure represent the percentage of the customers who stayed with some object longer than two seconds, while absolute numbers show the time that customers spend in front of the object measured in seconds.

Figure 3. Optimization of the store arrangement



Source: Internal documentation of the company

The final phase of optimization of store organization includes clustering of the objects with suggested actions. Suggested actions are based on the combination of revenues by the square meter and level of coverage and retention with specific object. The results of the clustering processes are four clusters: reallocate space (low coverage and retention, low revenue per square meter), improve facilities and increase employees' engagement (high coverage and retention, low revenue per square meter), change location of the facility inside the store (low coverage and retention, high revenue per square meter), further optimization or expanding this facility (high coverage and retention, high revenue per square meter).

This tool has specific application in the sections of the store or some key facilities inside the store. Using cameras installed in chosen stores, the heat of specific sections is determined. In this case, the heat represents the products which customers take into their hands or touch more than other products. Based on these observations, managers can conclude which areas hide underutilised potential, which are effective and should be kept, and which are the areas with lowest potential. It is considered that more touching means more buying. Figure 4 is example of the exploring successfulness of the wall with sneakers. Different colours represent a heating degree of each field so that management can conclude which sneakers are being touched and how often.

Clustering of all products is done based on the collected data. It is combination of two factors: number of touches (as a measure of engagement) and number of sold items. All products are divided into four clusters: remove (small number of touches, low sales), consider reduction of space (high number of touches, low sales), remove to increase sales (small number of touches, high sales), and leave as it is (high number of touches, high sales).

Figure 4. Wall with sneakers captured by the camera that follows the heating of the field

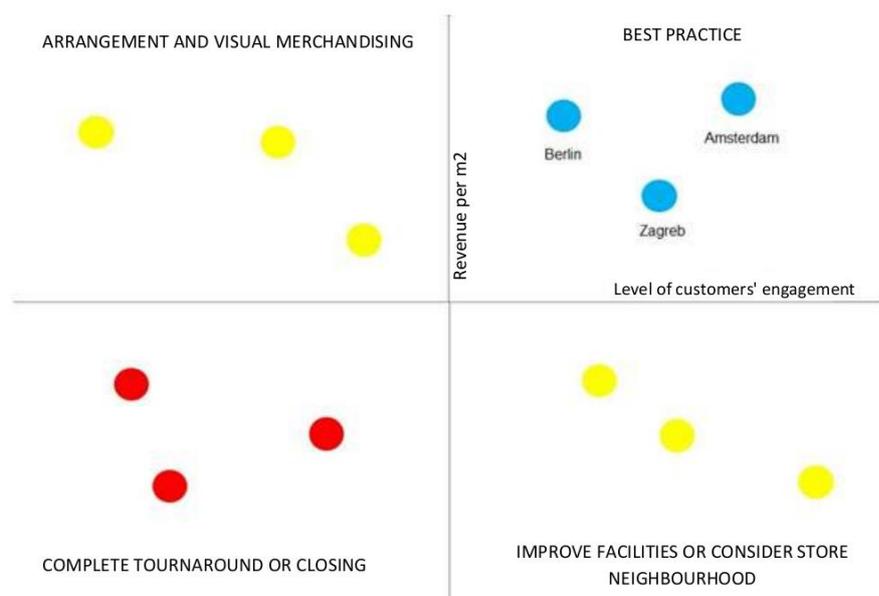


Source: Internal documentation of the company

3. Performance management

The last part of optimization tool is interactive system for performance management and control of the effects. The system is divided into factors and results. The examples of factors are: number of visits, the level of conversion (real number of purchases in relation to the number of visits), average spending, duration of stay in the store, place coverage (the share of the space where customers are moving in relation to total space).

Figure 5: Results of the tool for managing effects



Source: Internal documentation of the company

The results are measured by revenues, margins, profit, and level of customers' engagement (measured as a combination of number of visits, space coverage, and duration of stay in the store). The results of this component are also divided into four clusters. This phase is very useful for assessing the success of different stores for individual retail chain, as presented in figure 5.

5. CONCLUSION

Contemporary retail market is highly competitive and retailers are faced with huge challenge to find optimal solution for satisfying customer needs in unique way to differentiate from the competition and become recognizable. Online retailers have the advantage resulting from series of analytical tools for following their customers, such as their characteristics or even a history of their Internet activities. On the other hand, traditional retailers don't have the access to such information. Although weak data protection and almost unexisting privacy are main concerns for many individuals, public availability of private information doesn't necessarily have a negative connotation. The gap between supply and demand has never been greater. With constant increase in supply and strengthening of globalization, customers are exposed to incredibly wide range of products and they often cannot find what they really want at the time they need it, and/or in the way they want.

Retailers have to implement innovative culture based on continuous improvement of existing products, services and processes, and creating new products and services that will attract customers and stimulate their loyalty, to survive in the market with growing competition and dynamic changes. Traditional retailers must find the way to keep their customers, especially those who buy from both formats, i.e. online and traditional stores. Online stores can collect data about their customers in a simple way and implement factual decision making, while traditional stores don't have such opportunity. Implementation of technological innovation that enables collecting the data about the customers and designing store interior according to collected data is one way to deal with these challenges.

Based on the interviews with managers and analysis of company's internal documentation, this paper showed how technological innovation affects retailer's business operation. Innovation is created as a tool for optimizing retail activities which process the information collected by cameras installed in the store. Application of the innovation has led to sale increase and customers' satisfaction increase, and consequently higher loyalty. Although customers were not aware of the innovative techniques used in this example, they felt satisfied because of the successful, or simple, or fast shopping experience. The shop have been redesigned and arranged to serve customers in the best possible way. Implementation of technological innovation enabled management to base their decisions on the facts and to better understand their customers. In this way, significant advantage is achieved, over the competition that didn't have the information about customers' habits in the store.

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INNOVATIONS IN RETAIL FOOD FORMATS – THE CASE OF THE POLISH MARKET

Barbara Borusiak; Bartłomiej Pierański; Marcin Lewicki
Poznań University of Economics and Business, Poland

Abstract

The dynamic changes taking place in the retail sector are reflected, among other things, in the constant evolution of store formats. According to the authors, the principal driving force fuelling the potential to create new, innovative formats is technological development, and in particular the increasing availability and popularity of the Internet. The main aim of this paper is to characterize the innovative food retail formats that have appeared in the Polish market over the last 5 years. The article presents a typology of store formats and then shows changes in the structure of the retail trade in Poland on the basis of statistical data. A significant part of the article is devoted to a description of the operations of innovative retail formats in the Polish market with a focus on m-commerce, subscription commerce and food cooperatives.

Key words: retailing, store formats, innovation

1. INTRODUCTION

Innovation is the most valuable attribute of a capitalist economy. It determines its strength and ability to survive crises. This term originates from the Latin word *innovatio*, which means introducing something new, a newly introduced thing, a novelty, or a reform (Nowacki and Staniewski, 2010). The classic Schumpeterian approach equates innovation with a new product, new technology, new market, or a new organization of production and sales. Through innovation a company creates new markets and new rules of the game, “sails into the blue ocean without competition”, and avoids or leaves “the red ocean of bloody competition” (Noga, 2009). Innovation makes it possible for enterprises to “escape forward”, which means gaining a competitive advantage. New rules for competition in the modern economy were indicated by C.K. Prahalad and G. Hamel, who stated that companies which want to ensure a successful future must break the limitations of the current competition and attract customers with innovation (Prahalad and Hamel, 1999). This applies to all companies, including retailers. Although there is a view which claims that these companies are less innovative than companies from other sectors, in-depth analysis of the issue does not confirm this assertion (Reynolds and Hristov, 2009). The conviction of the lower innovativeness of retailers may stem from the fact that the issue of innovation in the retail sector is relatively new and thus poorly understood. However, a growing number of publications are devoted to analysing innovation in the retail sector; for example, in such areas as product development, pricing, supply chain management, developing the sales area, or building relationships with customers (Hristov and Reynolds, 2015). These studies indicate that retailers are just as innovative as the players operating in other industries. Another interesting area of research is analysing the correlation between technological progress and innovation in commerce. It is commonly

claimed that retailers are passive users of new technologies. The term “passive” means that these technologies are not created (invented) in the retail sector but are only adopted by this sector (Pantano, 2014). The technology which has probably made the greatest contribution to the development of innovative retail formats is the Internet, and the fact that it can be used anytime and anywhere. It is assumed that the extent of Internet use in business operations is the main criterion determining the level of innovation in retail formats.

The main aim of this paper is to characterize the innovative food retail formats that have appeared in the Polish market over the last 5 years. The paper is divided into three parts. The first part defines and classifies retail formats, adopting as one of the main criteria the utilization of Internet technologies in business. The second part analyses the food retail market in Poland, focusing principally on presenting the share of each retail format in the total sales of food products. The last part presents three examples of innovative retail formats: m-commerce, subscription commerce, and food cooperatives.

2. TYPES OF RETAIL STORE FORMATS

Before the typology of retail formats will be presented, the nature of a retail format must be explained. As a starting point for the conceptualisation of a retail format the essence of the product of a retail company must be explained. Essentially, it is the service element that provides the added value generated by a retail company (Dawson, 2000). This product is intended for two groups of recipients: the basic, traditional group of buyers being consumers; and the second group of recipients being producers. To individual customers a retailer offers access to goods manufactured in a variety of sectors, i.e. it offers in one place a bundle of relationships between the retailer and manufacturers (usually numerous, though this is not a necessary condition). To producers a retailer offers access to individual consumers in the form of a bundle of relationships with individual buyers (Walter et al., 2001). In other words, the essence of a retailer’s product is offering usability in the form of access to manufacturers (and in the case of producers – access to consumers) whose products are offered to the consumer in a convenient form in terms of configuration, location, time and volume, with favourable terms of service and payment.

A retailer’s product, when considered structurally, has a very complex nature: it is defined by a number of components such as the form of the product assortment (in terms of dimensions such as depth, width and the criteria for its creation); and the conditions in which it is offered (location, time, presentation, range of services, price level, forms of payment, how customers receive goods). This product meets two types of buyers’ needs. The first type are needs which to be satisfied require a product from the product range of a shop. The other type of needs are to a large extent independent from the product assortment of a shop. These are social needs (related to contact with people, developing interpersonal relations, a sense of belonging to a group, and building one’s position in it); aesthetic needs (being in a place with a visually attractive interior); educational needs (learning new patterns of consumption, discovering innovative products and their applications); and needs connected with spending leisure time, either by doing shopping itself or by taking advantage of an ‘entertainment package’ offered especially by shopping centres, which includes exhibitions, shows, competitions, etc. (Fiore and Kim, 2007).

The considerable complexity of a retailer’s product means that, taking into account the actual transactions between a retailer and a customer, the product is highly individualised, which is

typical of service products. On the other hand, it is essential to ensure mass (and also economical) access to goods, which prompts retailers to standardise products. An aggregated and standardised designation for the product/service of a commercial enterprise is the retail format, which is a specific manner for conducting sales, both store-based and non-store. Different retail formats are characterised by a specific configuration of such marketing strategy instruments as product and service assortment, pricing policy, the location and manner of offering products, as well as the type and configuration of the resources used (Reynolds et al., 2007, Zentes et. al., 2007, Tiwari, 2009).

The typology of retail formats proposed here (Table 1) takes into account a multitude of criteria and is based on a set of marketing strategy instruments; the most important of which are product assortment for store-based formats (Guy, 1998), and the method of communicating with customers for non-store formats. The presented formats are of great importance in economic practice, although they do not exhaust the set of existing formats.

Table 1: Typology of retail formats

Store-based retail formats	Non-store retail formats
Grocery: <ul style="list-style-type: none"> • convenience stores • discount stores • forecourt stores • hypermarkets/superstores • supermarkets • small grocers • food/drink specialists 	Internet retailing: <ul style="list-style-type: none"> • e-stores/e-commerce • m-stores/m-commerce • online auctions • group buying • social shopping • social commerce
Non-grocery: <ul style="list-style-type: none"> • speciality stores (for example: apparel specialists, electronics and appliance specialists, health and beauty specialists) • mixed retailers <ul style="list-style-type: none"> - department stores - variety store - mass merchandisers - warehouse clubs 	Other non-store retailing: <ul style="list-style-type: none"> • direct selling • television home shopping channels • mail orders catalogues • vending • market stands

Source: B. Borusiak (2014), *The Mechanisms for the Emergence and Evolution of Retail Formats, Retailer-Consumer Relationship Development*, eds. F. Musso, E. Druica, IGI Global, pp. 108-126

3. FOOD RETAILING IN POLAND

The available statistics mainly permit an analysis of those grocery store formats which in this article are referred to as store-based retail formats (Table. 1). However, in order to present a reasonably complete picture of the changes taking place in food retailing in Poland, subsequent sections of this chapter also show the development trends in e-commerce. The focus is on online grocery sales developed by traditional stores such as Tesco.

Secondary statistical data available from both Polish and European statistical offices permit the conclusion that the food retail market in Poland is characterized by relative maturity. It

does not experience sudden and significant changes related to a deterioration or improvement in the economic situation of consumers, or possible changes among the major players. According to data from the Central Statistical Office of Poland [GUS, Rynek wewnętrzny w 2014.], in 2014 the turnover of companies selling food, beverages and tobacco increased by 2.4%. In retail stores the value of sales amounted to 677.1 billion PLN (up 2.6%), of which the value of food and beverages was 165.8 billion PLN (down 0.4%), and the value of alcoholic beverages and tobacco 54.5 billion PLN (down 0.2%). The average margins in the retail sales of food, beverages and tobacco in specialised stores in recent years remained at a similar level of between 18 and 20% (according to the latest CSO data – 18.4% for 2013). Looking at the structure of grocery sales in Poland by retail formats (Table 2 and Table 3) one can observe the dominant position of discount stores, a noticeable development in convenience stores and supermarkets, as well as the general trend of increased sales under new formats at the expense of traditional formats. In the period between 2009 and 2014, sales under the new formats increased by over 50%, while sales under the traditional formats fell by almost 20%. The dominant position of discount stores is evident not only in the highest (over twofold) increase in the value of sales in the analysed period, but also in the dynamic increase in the number of outlets (an increase of over 75% compared to 2009, 1,565 new stores). In 2014 discount stores were in 3rd place in terms of numbers among all the new retail formats, and, in relation to 2009, overtook supermarkets in this respect. It is also worth noting that the highest growth rate in terms of the number of shops was recorded for convenience stores (an increase of almost 80% between 2009 and 2014). The development of these retail formats perfectly corresponds to the current trends among consumers in the food market, who above all value convenience and the possibility of doing inexpensive shopping.

Table 2: Grocery Retail Sales by Type of Format: Value (bln PLN) 2009-2014

Type of formats	2009	2010	2011	2012	2013	2014
Modern Grocery Retailers	99.3	105.30	118.20	128.90	139.50	150.70
- Convenience Stores	16.8	18.70	20.30	22.30	24.40	26.40
- Discounters	22.6	26.50	34.00	40.40	46.40	52.80
- Forecourt Retailers	3.0	3.00	3.00	3.10	3.20	3.20
- Chained Forecourts	2.0	2.10	2.10	2.10	2.20	2.20
- Independent Forecourts	1.0	0.90	0.90	0.90	1.00	0.90
- Hypermarkets	31.1	29.30	30.40	29.90	29.60	30.40
- Supermarkets	25.8	27.80	30.40	33.20	35.90	37.90
Traditional Grocery Retailers	63.50	59.40	56.50	52.90	48.70	44.60
- Food/Drink/Tobacco Specialists	12.0	11.70	11.40	11.00	10.60	10.20
- Independent Small Grocers	44.3	40.80	38.40	35.50	31.90	28.50
- Other Grocery Retailers	7.2	6.90	6.60	6.40	6.20	6.00
Grocery Retailers	162.80	164.70	174.70	181.90	188.20	195.30

Source: Euromonitor, Grocery Retailers in Poland

Table 3: Grocery Retail Outlets by Type of Format: Units 2009-2014

Outlet	2009	2010	2011	2012	2013	2014
Modern Grocery Retailers	23,075.0	24,575.0	26,851.0	29,800.0	32,373.0	34,970.0
- Convenience Stores	12,369.0	13,470.0	15,317.0	17,784.0	19,872.0	22,060.0
- Discounters	2,062.0	2,311.0	2,598.0	2,946.0	3,289.0	3,627.0
- Forecourt Retailers	6,237.0	6,225.0	6,221.0	6,202.0	6,192.0	6,135.0
-- Chained Forecourts	3,814.0	3,831.0	3,864.0	3,890.0	3,941.0	3,951.0
-- Independent Forecourts	2,423.0	2,394.0	2,357.0	2,312.0	2,251.0	2,184.0
- Hypermarkets	323.0	337.0	351.0	358.0	368.0	374.0
- Supermarkets	2,084.0	2,232.0	2,364.0	2,510.0	2,652.0	2,774.0
Traditional Grocery Retailers	141,668.0	132,947.0	126,929.0	119,495.0	110,832.0	102,706.0
- Food/Drink/Tobacco Specialists	29,066.0	28,630.0	27,943.0	27,119.0	26,265.0	25,398.0
- Independent Small Grocers	106,596.0	98,515.0	93,399.0	86,964.0	79,311.0	72,165.0
- Other Grocery Retailers	6,006.0	5,802.0	5,587.0	5,412.0	5,256.0	5,143.0
Grocery Retailers	164,743.0	157,522.0	153,780.0	149,295.0	143,205.0	137,676.0

Source: Euromonitor, Grocery Retailers in Poland

Undoubtedly, one of the features of the food market in Poland is the high intensity of competition (see Table 4, Table 5). In addition to leading foreign chains, there are also a number of Polish chains of small shops and supermarkets. Indisputably, however, the international chains dominate the market (only one company among the ten largest retail companies operating in this market has a Polish owner). This is the reason why there have been calls for imposing additional sales tax on the largest networks, or for banning Sunday trading.

Table 4: Grocery Retail Brands Market Share: % Value 2011-2014

% retail value rsp excl sales tax	Company	2011	2012	2013	2014
Biedronka	Jeronimo Martins Polska SA	-	16.40	18.20	19.70
Kaufland	Kaufland Polska Markety Sp zoo Spk	5.50	5.50	5.80	5.90
Lidl	Lidl Polska Sklepy Spozywcze Sp zoo Sp k	3.40	4.00	4.50	5.20
Auchan	Auchan Polska Sp zoo	3.20	3.10	3.00	4.30
Lewiatan	Lewiatan Holding SA	4.20	4.00	4.00	4.00
Tesco/Tesco Extra	Tesco Polska Sp zoo	3.90	3.80	3.60	3.70
ABC	Eurocash SA	2.60	3.00	3.30	3.30
Carrefour	Carrefour Polska Sp zoo	3.00	2.80	2.50	2.50
Intermarché	ITM Polska Sp zoo	2.00	2.10	2.20	2.30
Tesco	Tesco Polska Sp zoo	2.10	2.40	2.30	2.30
Polomarket	Polomarket Sp zoo	1.90	1.90	2.00	2.00
Netto	Netto Sp zoo	1.40	1.50	1.70	1.90
Zabka	Zabka Polska Sp zoo	1.50	1.50	1.60	1.70
E Leclerc	Galec Sp zoo	1.50	1.50	1.40	1.40
Odido	Makro Cash & Carry Polska SA	0.40	0.80	1.10	1.30
Piotr i Pawel	Piotr i Pawel SA	1.00	1.00	1.10	1.20
Eko	Eko Holding SA	1.10	1.10	1.10	1.10
Stokrotka	Stokrotka Sp zoo	0.80	0.80	0.80	0.90
Alma	Alma Market SA	0.80	0.80	0.90	0.90

Real	Real Sp zoo i Spolka Sp k	3.00	2.70	2.30	0.80
Biedronka	Jeronimo Martins Dystrybucja SA	14.50	-	-	-
Others	Others	42.30	39.30	36.60	33.80
Total	Total	100.00	100.00	100.00	100.00

Source: Euromonitor, Grocery Retailers in Poland

Table 5: Grocery Retail Brands Market Share: Outlets 2011-2014

Sites/Outlets	Company	2011	2012	2013	2014
ABC	Eurocash SA	4,652.0	5,451.0	6,133.0	6,474.0
Zabka	Zabka Polska Sp zoo	2,500.0	2,666.0	2,906.0	3,175.0
Lewiatan	Lewiatan Holding SA	2,700.0	2,743.0	2,795.0	2,868.0
Odido	Makro Cash & Carry Polska SA	850.0	1,650.0	2,130.0	2,780.0
Biedronka	Jeronimo Martins Polska SA	-	2,125.0	2,393.0	2,640.0
Orlen	PKN Orlen SA	1,686.0	1,696.0	1,707.0	1,704.0
Groszek	Detal Koncept Sp zoo	1,012.0	1,114.0	1,227.0	1,325.0
Rabat	Rabat Detal Sp zoo	731.0	815.0	945.0	1,038.0
Delikatesy Centrum	Eurocash SA	650.0	773.0	875.0	1,000.0
Freshmarket	Zabka Polska Sp zoo	100.0	200.0	394.0	639.0
Lidl	Lidl Polska Sklepy Spozywcze Sp zoo Sp k	425.0	475.0	505.0	535.0
Euro Sklep	Euro Sklep SA	613.0	561.0	517.0	467.0
Polomarket	Polomarket Sp zoo	329.0	385.0	430.0	465.0
BP	BP Europa SE Oddzial w Polsce	407.0	428.0	443.0	447.0
Carrefour Express/Globi	Carrefour Polska Sp zoo	164.0	297.0	340.0	425.0
Malpka Express	Malpka SA	-	50.0	220.0	420.0
Lotos	Grupa Lotos SA	354.0	389.0	422.0	415.0
Shell Select	Shell Polska Sp zoo	360.0	361.0	378.0	395.0
Tesco	Tesco Polska Sp zoo	299.0	354.0	368.0	372.0
Netto	Netto Sp zoo	240.0	276.0	311.0	362.0
Biedronka	Jeronimo Martins Dystrybucja SA	1,873.0	-	-	-
Others	Others	133,835.0	126,486.0	117,766.0	109,730.0
Total	Total	153,780.0	149,295.0	143,205.0	137,676.0

Source: Euromonitor, Grocery Retailers in Poland

It is also important to point out the increasing role of online shops in food retailing (portalspozywczy.pl, Handel internetowy żywnością w Polsce będzie coraz istotniejszy [Online food retailing in Poland will be increasingly important]). Until the end of June 2015 food sales via the Internet accounted for only 0.24% of the total value of the grocery market in Poland; however, analysts forecast an increase of at least 20% in each subsequent year over the next 5 years. The leader of online food retailing in Poland is Tesco, which in 2014 overtook Alma. The British network dispatches groceries from 27 hypermarkets over the whole of Poland (tesco-polska.pl, Tesco w Polsce [Tesco in Poland]). The Tesco online service Ezakupy is available to about 30% of Polish people, who can use a mobile application that allows customers to place orders via smartphones and tablets. Apart from Tesco, groceries are also sold online by Auchan, E.Leclerc, Alma, Piotr i Paweł, and Frisco.pl. So far, Carrefour and Biedronka have not joined the e-commerce channel, and it is pointed out

that especially in the case of Biedronka, its entry into the electronic distribution channel, due to the large number of sales outlets, could change the current picture of online food retailing (portalspożywczy.pl, Handel internetowy żywnością w Polsce będzie coraz istotniejszy).

4. INNOVATIVE FOOD RETAIL FORMATS IN POLAND

It was assumed that the factor that largely determines the innovativeness of a store format is the extent to which it makes use of modern information and communication technologies. Thus, in the opinion of the authors, innovative retail formats are those whose emergence and development have been possible due to the increasing popularity and availability of the Internet. The focus is on those formats that in the nomenclature adopted in this paper are referred to as non-store retail formats. The discussion will include m-commerce and subscription commerce (which is in fact a variation of e-commerce), as well as food cooperatives, which are a form of social shopping. Although cooperatives are not as heavily dependent on the Internet as m-commerce and e-commerce, the Internet makes it possible to achieve the fundamental and essential attribute of cooperatives, which is continuous contact and cooperation between people who make joint purchases of food products.

4.1. M-commerce

The source of innovation in m-commerce is providing consumers with the possibility of permanent (ubiquitous and continuous) contact with a retailer – total contact. This format is also potentially very “expansive”. In the current practice of the functioning of retail formats, it is usually the consumer who initiates contact by going to a shop or a shop’s website. M-commerce enables a retailer to be much more active in taking the initiative as regards offering products, although this feature raises some legal controversies (in particular with regard to ensuring consumer privacy). M-commerce is a format whose development is a result of the push impact from the suppliers of smartphones and applications, as well as retailers and banks. This format is clearly characterized by high technological advancement. The process of its adoption, however, is conditioned by the adoption of the technology. This is connected with, on the one hand, the perceived usefulness of the technology, and on the other the perceived ease of its use (Venkatesh and Davis, 1996). The question therefore remains how likely consumers are and will be to use m-commerce. A number of studies have been conducted worldwide to determine consumer attitudes towards mobile marketing (Broeckelmann, 2010; Yang, 2010; Persaud and Azhar, 2012; Wells *et al*, 2012). Their results indicate significant cultural differences in this regard. The question of the acceptance of the new formats is less studied, but here also cultural differences seem to play a role (Su and Adams, 2010).

Interesting results seem to be rendered by undertakings in which m-commerce is used in a hybrid way (that is in conjunction with another format): customers make purchases via smartphones, but the product display is of the traditional kind, even though it is pictures of products rather than actual products that are displayed. A good example is the spectacular success of the Homeplus project, conducted by Tesco in South Korea. The British retailer began operating in the Korean market in 1999. In 2011, it launched a mobile sales channel at Seolleung underground station in Seoul. Photographs of 500 groceries, cosmetics and other basic FMCG products were displayed on billboards. Using a special application, customers were able make their purchases by scanning QR codes. The goods were delivered to their

homes the same day. In 2014 there were already 22 sites at underground stations and bus stops where customers could shop using a mobile application, and the number of downloads of the Homeplus app exceeded 1 million. The value of the turnover generated by Tesco in Korea (including the revenues of 520 stores) makes it the second largest market (after the UK) for the British retailer (www.tescopl.com).

In 2012, in Poznań, the fifth largest Polish city with a population of approximately 600 thousand, a similar experiment was conducted by a Polish retail company – the operator of the “Piotr i Paweł” supermarkets. The project was conducted in October and November 2012 and was the first undertaking of its kind in Poland. In order to do any shopping, customers had to simply download a free mobile application, RockPay, scan the product code from a poster with virtual shelves, and complete the order. The application was available from the Google Play store for Android phones and from the Apple Store for iOS devices. The whole project was divided into three stages. The first stage, the aim of which was to stimulate customers’ interest, began on 16th October 2012 and lasted until 6th November 2012. Posters with information about the mobile shopping scheme were displayed in ten illuminated displays (1.2m by 1.8m) located at ten tram stops in busy parts of the city.

During the second and third stages of the project customers were able to make purchases using the mobile application. The second stage lasted from 7th to 15th November 2012. New posters appeared in the illuminated displays, which allowed customers to purchase products. The product range was divided into 12 categories:

- bread and bakers’ confectionery,
- fruit and vegetables,
- dairy products,
- hard and soft cheeses
- meat and processed meat products,
- children’s goods,
- tea and coffee,
- sweets,
- beverages,
- cosmetics and detergents,
- fragrances,
- household supplies.

Next to each category there was a QR code that directed customers to it. The highest percentage of scans (15-20%) was recorded in the categories of bread and bakers’ confectionery, fruit and vegetables, plus hard and soft cheeses.

A smaller percentage of scans (8-9%) was recorded for the categories of dairy products plus meat and processed meat products.

The third stage of the project lasted from 16th to 30th of November 2012. Once again new posters were displayed, this time containing pictures and QR codes for specific products: bread rolls, butter, eggs, yoghurt, milk, sausages, chicken fillet, pork, oil, mayonnaise, tomatoes, bananas, apples, fruit juice, water, wafer bars, tea, groats, potatoes and toilet paper. This time, the most frequently chosen products were bread rolls, sausages, tomatoes and bananas, each receiving approximately 18% of scans. Slightly less popular among the customers were eggs, pork and mayonnaise, each receiving 6% of scans.

Regarding the results of the experiment, first of all it should be noted that during the course of this a total of 646 scans were recorded; including 280 during the first stage, 164 during the second, and 202 during the third stage. In relation to the number of the city's inhabitants, these values were not very high and that was the reason why the experiment was not continued. Such a conclusion for the experiment was the consequence of a number of factors, including the early (probably too early) stage of development of the mobile applications market in Poland, the low level of awareness of the action among potential customers, and a questionable choice of location for presenting the offering, because in Poland, unlike perhaps in Korea, a tram stop may not be a good place for such actions. However, it is highly likely that in the near future the m-commerce format will take on practical significance, also as a format in which food products are sold in Poland.

4.2. Subscription commerce

Subscription-based shopping is a specific type of e-commerce. It is also one of the most novel solutions for doing business online. Its origins date back to September 2010, when Katia Beauchamp and Hayley Barna launched the portal Birchbox, which offered customers the opportunity to purchase cosmetics. Birchbox, which is cited as an example of a successful subscription commerce business, has accumulated more than \$70 million funding for further development in the five years it has been on the market. It operates in 6 countries and employs around 300 staff, has partnership deals with over 800 cosmetics manufacturers, and a base of over a million subscribers [Chhabra, 2015]. According to the principle of this solution, after paying a subscription customers receive at regular intervals (usually once a month) a box of specific products. There are two basic types of subscription commerce [Alvo, 2013]:

1. *Discovery commerce* – caters to customers who want to try something new. Customers do not know the brands of the products which will be placed in the box, thus the act of discovery and the element of surprise constitute the main value for the customer.
2. *Convenience commerce* – caters to customers who need to buy certain products regularly and these products are delivered as subscription boxes to their homes. In this case the value for the customer is the undeniable convenience of such shopping (customers do not have to think about replenishing the stock of products they frequently use).

The constantly increasing share of e-commerce in food sales in Poland also means that subscription boxes are growing in popularity. Examples of e-commerce businesses which employ this model for food sales include the following:

- *TeaBox*, monthly deliveries of tea; the company stresses the element of discovering new flavours every month [TeaBox],
- *Bakeo*, deliveries of boxes containing various snacks (usually dried fruit and nuts); on their website the company states that the boxes can also be delivered to the subscriber's workplace so that they can share the snacks with their colleagues [Bakeo],
- *Zakuski*, another company offering healthy snacks to its subscribers; just like Bakeo, they also highlight the possibility of delivery to the workplace [Zakuski],
- *CudMiódBox*, monthly deliveries (subscriptions can be bought for 1, 3 or 6 months) of a box containing, as the owners say, "5 unique, carefully selected and beautifully designed food products manufactured exclusively by Polish producers" [CudMiódBox],

- *TravelBox*, a subscription box in which every month consumers can find products from a different country. Each box usually contains at least 4 unique and carefully selected products, with a detailed description of their origin and use in the kitchen, as well as an original recipe which makes it possible for the subscriber to prepare a dish from the “visited” country [TravelBox].

Examples of employing the subscription box model in the food market in Poland clearly indicate that there is intense competition between operators. Individual companies look for ways to distinguish their offering, primarily through emphasizing the aspect of exploring new flavours and products, so the discovery commerce solution dominates. And it is this discovery commerce category that offers innovative solutions in terms of food sales. Before this model appeared on the market, customers would usually have to familiarise themselves with a product before buying it. In the case of subscription shopping they do not have that possibility, and the “discovery” itself creates additional value for the product, often enabling customers to explore completely new products and flavours which they might never buy if they had to make a deliberate choice. It is also worth noting that the vast majority of subscription boxes are addressed to customers seeking healthy food and organic products (which is in line with the general trend in the food market in Poland). One can expect a gradual growth in the popularity of this form of food shopping, which certainly helps to save time as well as relieving consumers of the need to make additional buying decisions every month. Moreover, the use of this model is increasingly becoming a subject of discussion in blogs (for example on blog.subclub.pl), often conducted by subscribers who share their experiences connected with opening the individual boxes, including evaluating their purchases from an economic point of view.

4.3. Cooperatives

A specific manifestation of innovation in the retail trade is food cooperatives. They are defined as open and voluntary non-profit associations of people which make collective purchases of food, most frequently organic fruit and vegetables. The mode of operation for cooperatives is relatively simple. A cooperative, being an informal entity which does not require formal registration, in principle can be established by any individual. There are also no restrictions as regards joining existing communities. A new member of a cooperative typically pays a nominal entry fee. Periodically (usually once a week), each of the members places an order for products using the appropriate on-line form. Then one or more members, according to an established rota, go to a farm, usually a certified one, to collect the order. Next, the purchased goods are weighed and packaged. Then the cashiers and buyers meet at an appointed time and place, and the orders are received and paid for. The customers are charged the same amount that the products were bought for. When all the transactions are completed, an appointed group of members tidy up the place where the co-op meeting was held. In the functioning of cooperatives an extremely important role is played by the so-called community fund (about 10% of the price of purchases goes into this fund), which is a common cooperative fund allocated for development, as well as educational and cultural purposes (Oszczepalski, 2012).

Although modern food cooperatives are a new phenomenon in Poland (the first one was founded in Warsaw in 2010), it should be noted that the cooperative movement dates back to the mid-nineteenth century. The first cooperative enterprise was set up in 1844 by workers in Rochdale in Great Britain (Abramowski, 2012b). Thus, a cooperative is a much older idea than the currently far more common retail formats such as supermarkets or hypermarkets. The concept of common (collective) purchasing was very strongly promoted in the early twentieth

century by a Polish philosopher and ethicist Edward Abramowski. In a series of articles he pointed out the advantages of food cooperatives, treating them as a way to improve the quality of life for the lowest-income members of society. He argued that “small shopkeepers and entrepreneurs”, subjected to competitive pressure and the brutal laws of the free market, in order to maintain their businesses, “often resort to counterfeiting, cheating on measures and weights, selling all kinds of rubbish that the wealthier and discerning customers do not buy” (Abramowski, 2012a). Thus, the poorer sections the population were forced to buy goods of inferior quality but not at lower prices, which reflected negatively not only on their household budgets but also on their health. Abramowski also questioned the role of the state in solving such problems by stating that “state supervision over products does not prevent their falsification and cannot protect the public against the fraudulent activities of small traders and industry.” Therefore he saw food cooperatives as the only alternative. They gave their members an opportunity to have control over the goods involved and also eliminated the possibility of fraud because “people would have no interest in cheating themselves”, so the products bought within a cooperative would not be adulterated, spoilt or incorrectly measured (Abramowski 2012a).

Thus, food cooperatives from the very beginning have been decidedly anti-market and anti-state. The same ideological charge is visible in their modern form. The founders of cooperatives are often members of various leftist, anti-globalization and counter-culture movements, who by treating cooperatives as political and social initiatives seek to create an alternative to the “capitalist system of food distribution.” However, regardless of any ideological elements, cooperatives are a specific retail format, and their operation and development are possible because they provide certain benefits to their members. One of them, undoubtedly, is related to the possibility of buying eco-friendly products at prices lower than market rates. According to members, the prices of products ordered through cooperatives amounts to 70-80% of the prices of similar products purchased in traditional stores [Oszczepalski, 2012]. This is possible because of an innovative approach to business. Firstly, it manifests itself in a maximum shortening (actually complete elimination) of the supply chain. As mentioned before, cooperatives purchase products directly from farms. On the one hand, this creates the possibility of controlling the quality of the products bought (Abramowski mentioned this in his works), and fosters establishing direct relationships with farmers. On the other hand, it helps to reduce supply costs because there are no intermediaries, and the goods are transported using resources belonging to members of the cooperative. An innovative approach to relationships with suppliers is also evident in the area of pricing. The aim of a cooperative, as mentioned earlier, is to sell products at relatively low prices, but without exerting pricing pressure on suppliers. On the contrary, by promoting the principle of sustainable development, cooperatives offer “honest prices for honest work.” Reducing operating costs is evident not only in the area of supply. A cooperative, being an informal entity, does not incur costs connected with maintaining an executive board or management. In addition, the ad hoc nature of the operation helps to minimise the cost of maintaining the premises in which the cooperative meets. Finally, the exclusive reliance on the Internet (social media) for communication between members and ordering products reduces costs connected with the organization of the group. It should be mentioned that the Internet is a significant factor enabling the formation, operation and development of cooperatives, being a medium via which the group members can consult with one another, inform one another about new sources of supplies, etc.

The first food cooperative in Poland was established in 2010 in Warsaw, and now co-ops operate in most major cities, including Kraków, Łódź, Gdańsk, Poznań, Lublin and Białystok

(Bąk and Sikora, 2012). It is estimated that each of them has between several dozen and over a hundred members. The increase in the number of cooperatives in Poland raises the question of the possibility of them becoming a mass phenomenon. It seems that the conditions connected with the functioning of cooperatives determine their niche character. One of them is the limited number of reliable certified farms which could meet the growing demand for organic food. The second issue is the previously mentioned ideology underlying the functioning of cooperatives. This can be a disincentive, preventing a wider group of people from joining such communities. Finally, issues related to decision-making along with the equal distribution and contribution of work in informal groups make cooperatives difficult to manage as well as hindering their harmonious development.

5. CONCLUSION

Retail formats are constantly evolving. The formats discussed in this article (m-commerce, subscription commerce and food cooperatives) are in the initial stages of development. This means that they have considerable potential for development, although the possibility that some of them may not be accepted by customers cannot be ruled out. On the other hand, their possible dynamic development, manifested by their gradually increasing share in the sales of food, may result in a progressive decrease in the importance of those retail formats that are currently in the maturity stage, such as supermarkets and hypermarkets.

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INNOVATION AND FORMATS OF RETAIL BUSINESS UNITS

Zdenko Segetlija; Davor Dujak

Faculty of Economics in Osijek, Josip Juraj Strossmayer University of Osijek, Croatia

Abstract

The article analyzes concepts of development of retail business units formats, based primarily on available literature. Special attention is given to the reasons that lead to these changes in development of formats of retail business units, as well as the continued development of innovation in this area. The motive for this study is a discrepancy in the development of retail capacity (in quantitative terms) with the overall economic development and with the development of retail structure (the retail formats) in selected European (especially transition) countries.

The study, as a starting point, first uses theoretical assumptions through which seeks to explain innovation in the economy, as well as innovation and the development of forms of retail business. Further analysis of retail structure in different countries is based on available statistical data, especially from Eurostat and Deloitte. Data are displayed in tables and graphs as an absolute or relative numbers and relations, from which conclusions about certain trends can be made.

For retail business units, as components of international retail chains and their supply chains, are particularly significant innovations in their logistics and marketing areas. In the processes of concentration and internationalization, especially in the grocery and fast moving consumer goods (FMCG) sector, a key role is played by international retail chains and their innovative solutions. However, the international expansion of large retail chains significantly changes the economic structure in some countries, because they increase the sales area and intensifies the competition in the countries in which they are entering.

Theoretic analysis of development and innovation in retail, especially of new formats of retail business units, can provide the fundamentals and ideas for further research analysis of innovation in the retail and analysis of retail importance for the overall economic development of a country. Particularly important are institutional points of view concerning market and other important factors shaping the development of retail business units (eg. the price of land and real estate, the cost of utility services, the cost of labor and equipment, development of transport infrastructure, policy of location and spatial planning, and the like). For now, it can be claimed that in the analysis of the development of new formats of retail business units are especially helpful findings from theory of environment.

Key words: retail, innovation, formats of retail business units, concepts for explaining of development

1. INTRODUCTION

Changes in retail structures of some countries hold attention of different theorists and businessmen – practitioners. In this regard, there are different assessments of the factors and the results of this development in some countries.

The goal of this paper is to analyze and highlight the importance of innovative concepts in the design of retail business units, and the analysis of some indicators of formats of retail business units (and thus the entire retail structure) in the chosen market and economically developed countries and their comparisons with the results of the selected transition countries.

The acquired insights should help businesses in creating new, successful formats of retail business unit, with which they can achieve better business results, and to holders of the economic policy of the surveyed countries in the improvement of market-competitive relationship.

2. RETAILING AND FORMAT OF RETAIL BUSINESS UNIT

While there are many definitions of retailing, in modern conditions the following definition could be accepted (Levy & Weitz, 2012, p. 6): „Retailing is the set of business activities that adds value to the products and services sold to consumers for their personal or family use“.

Certainly, retailing is one of the divisions within the so-called distributive trade.

The subject of analysis in this paper is a retail company / group and retail business unit as organizational forms of trade in the expanded sector of food products (grocery).

It has long been known that these organizational forms, as market institutions of trade, are rapidly changing. Therefore it was noticed that, due to the large dynamic of market institutions and hence their rapid obsolescence, the dynamic-institutional genetic analysis is especially required (Hansen, 1990, p. 8-9).

Many authors have pointed out that the company is a historical category. Since the conditions in which exists are changing, company acquires new features: it becomes larger and builds its own specific internal structure (develops the relationship of the company and its internal parts), and develops special relationship of the company with other companies within the different concentration and cooperative groups.

Unlike company as historical category, its executive subsystem, "business unit", can be considered as the general category, because in it are changing the working process factors: labor, equipment and devices, processes, and so on (cf. Schäfer, 1970, p. 103.).

Company activity takes place in the business units, such as stores, selling warehouses, online sales offices, etc. A business unit or group of units of the same business may constitute "strategic business unit". Thus, parts of the executive subsystem of retail company are its business units. Thus, eg. some retail chain (affiliated company) consists of its subsidiaries (branches).

Retail chain emerged in processes of concentration, and therefore its definition is (Levy & Weitz, 2012, p. 52): "A retail chain is a company that operates multiple retail units under common ownership and usually has centralized decision making for defining and implementing its strategy".

Since the characteristics of individual retail business units are numerous and mutually intertwined, it would be difficult or even impossible to give their classification on the basis of unambiguous criteria. Therefore, it is an essential concept of "format of retail business units" in terms of the economic unit that is part of the retail company.

As a format or type of retail business unit may be considered categories of retail business units with the same or similar market-policy instruments, respectively a combination thereof. These instruments relate to the profession, location, size of sales area, the size and composition of the assortment, services, method of contact with customers or the way of pricing (see: Eitner, 2008, p. 48 and quoted lit.). It is, in fact, the "retail mix" of retailer who performs with his "retail formats".

Kao oblik, odnosno tip maloprodajne poslovne jedinice može se smatrati kategorija maloprodajnih poslovnih jedinica s istim ili sličnim tržišno-političkim instrumentima, odnosno njihovom kombinacijom. Ti se instrumenti odnose na struku, lokaciju, veličinu prodajne površine, veličinu i sastav asortimana, usluge, način kontakta s kupcima ili pak način formiranja cijena (see: Eitner, 2008, p. 48 and quoted lit.). It is, in fact, the retail mix of retailers, who performs with his "retail formats".

Levy and Weitz (2012, p. 112) define „retail format“ like this: "A retail format describes the nature of the retailer's operations - that is, its retail mix (type of merchandise and services offered, pricing policy, advertising and promotion programs, approach to store design and visual merchandising, typical locations, and customer services) - that it will use to designed to satisfy the needs of its target market".

In contrast to this observation, "retail format" in the German literature is commonly known as "Betriebsformat" or "Betriebstyp" and the criteria for their differentiation are slightly wider. In addition to the above marketing variables it also includes more particularly the legal form and financing (of branches or of companies), and horizontal and vertical characteristics of cooperation (companies at one level or belonging to groups, cooperatives, etc.) (cf. Nieschlag, 1972, p. 108; Müller-Hagedorn, 1984, p. 26; Berekoven, 1986, p. 29; Scheuch, 1984, p. 35, Scheuch, 1996, p. 512; Turban, 2005).

In the mentioned German literature was taken the broader term "enterprise" (which could signify a group of retail business units of the same format and, eventually, to have a certain degree of legal equality).

However, in this paper will use the term "enterprise" in the sense of an organizational unit for producing goods or services, which has a certain degree of autonomy in decision making, especially in the investment of liquid funds (Statistics Explained, Glossary, Eurostat, 2015). In this sense, for enterprises with activity of wholesale and retail, in this paper will use the term "wholesaler" and "retailer".

The terms "format of retail business units" and "type of retail business units" could be understood as synonyms (cf.. Berekoven, 1990, p. 29). However, some authors distinguish

between the two. According to them, "a format of business units" would be an abstract concept (eg, "department store", "discounter", etc.), and the "type of business unit" is the concretization of this idea, starting from some concrete company (Ahlert & Kenning, 2007, p. 111).

Besides the term "format of retail business units", the term "store" will be used in this paper.

Store is considered as a special business or organizational unit of an enterprise or physical person which in the sense of spatial - functional isolation of rooms, the architectural composition of the building which houses and other features makes a separate unit in which the sales process as principal activity takes place, ie. sales of goods of retail consumers and other customers (Segetlija, 1984, p. 95).

Hence, here we are talking about stationary stores. Stores are defined as fixed sales premises which the customers enter to make their purchases. (Concepts and Definitions, Eurostat's Concepts and Definitions Database, Eurostat, 2015).

In addition to the stores, retailing is done on: displays, markets and fairs. Of course, particularly important is retailing that is performed on the basis of orders by mail or via the Internet.

In this regard, electronic retailing (also referred to as "e-tailing", "online retailing", and "Internet retail") is a retail format where retailers interact with customers and offer products and services for sale over the Internet (Levy and Weitz, 2012, p. 55).

3. INNOVATION IN THE ECONOMY AND RETAILING

The word "innovation" comes from the Latin word "in" meaning "in" and "novus" which means "new", and is taken as a "novelty", "acquisition", "renewal", "change". In this sense, "innovator" means "inventor", "discoverer" (Klaić, 1980, p. 594).

By general definition innovation means the implementation of something new. In doing so may be discussed on the technical, organizational and community novelties. This does not necessarily mean finding and introducing something objectively and world-wide new, but it is decisive subjective novelty for consumers, enterprise, profession, nation, or world (world novelty) (Eitner, 2008, p. 94 and quoted lit.).

When considering innovation in the economy Schumpeter (1912) has already emphasized that doing new is not just more difficult, but that this introduces something significantly different (Schumpeter, 1912, p.121). According to this author, as opposed to static, hedonic doing, there is a dynamic, energetic action which is the basic principle of economic development (Schumpeter, 1912, p. 128, p.180). Just as we talk about the vigorous activity in the economy, it can be talked about the so-called creative design of the economy in the sense that it is done in other areas of human activity (Schumpeter, 1912, p. 132). The creative design, according to this author, it is something different from "passive withdrawal of consistency", which, therefore, is not the only possible economic behavior (Schumpeter, 1912, p. 104).

Important term in Schumpeter's analyzes is "combination". In fact, he points out that each production method means a combination of things and power (procedures). Combinations

should be observed in one company and in production relations in the overall national economy in which economic logic overcomes technical (Schumpeter, 1912, p.21, p.22).

In addition to "creative design" for an explanation of innovation is particularly important J. Schumpeter's findings given in the book "Capitalism, Socialism, and Democracy" (1942), which emphasizes that any economic development builds up in the so-called creative destruction. Through destruction of the old structures production factors combine again. Triggers for destruction are innovations implemented by enterprises in order to penetrate the market (cf.. Eitner, 2008, p. 94).

Unlike Schumpeterian thinking, today is clear that innovation is not introduced only by entrepreneurs, but that innovation is a complex social process. For the economy is important to develop innovation, ultimately out of necessity, because the existence of the company related to the ability to establish something "new" in competitive environment (Eitner, 2008, p. 95 and quoted lit.).

The main reason for the introduction of innovation in the enterprise is the long-term security of its future; they serve to preserve the independence of the enterprise as well as the deployment of risk (Müller and Lombardo, 2008, p. 4).

As innovation in the trade can be, according to the generally accepted division of innovation, stated (Eitner, 2008, pp. 96 - 98 and quoted lit.):

- (1) Product innovation
- (2) Process innovation
- (3) Social innovation
- (4) Innovation of formats of business units.

Product innovations in trade are in general innovations in services. On the other hand, process innovations are in function of optimization based on combination of business process factors, respectively improvement of business processes and organizational techniques. Social innovations are those relating to human resources. It's about encouraging systems, strategies for managing the staff and management styles. However, today product innovation and social innovation are more and more combined, because all trade performance has the character of services.

Innovations of formats of business units are special because they contain both elements of product innovations as well as elements of process innovations. Since retailing is manifold connected to its environment, it mostly benefits innovations from this environment. However, compared with the industry, retailing is not subject to any institutional innovation protection from imitation. Furthermore, it is important that retail businesses for their purposes could modify innovation from other companies from other trade professions. Retailers can develop innovations on the basis of innovations that have their suppliers, or in cooperation with them (eg, category management) (See Segetlija & Dujak, 2013).

Imitation exists when basis for innovation by the foreign company is not independent creative effect, but, eg., a comparable product that is successfully introduced by another company (Müller & Lombardo, 2008, p. 4). In retailing imitation could be eg. a new format of retail business unit that already exists and operates successfully in another country (cf. Ahlert & Kenning, 2007, p. 137).

Regarding new formats of retail business units online retailing should be specially mentioned, which generally has great success. Benefits to consumers are most associated with: (a) the possibility of ordering at any time, (b) ordering from home or from places where there is access to the Internet, (c) the possibility of increasing the breadth and depth of the assortment in regard to stationary store, (d) the possibility of obtaining more current information that can be individually adjusted and thus better solve the problems of consumers. This format of retail business unit represents a large growth potential even in the grocery retail sector and therefore represents a serious threat to the stationary retail (Nufer & Wurmer, 2008, p. 6, p. 7).

However, through the merger of technology and processes of online and stationary retailing new formats of retail business units need to be created. The online retailing is category that needs to be taken seriously because it offers great developing opportunities. Digital change in the structure refers not only to the models of the value added chain, but also to the relationships with customers. Those companies, who succeed to expand its multi-channel strategy for a mobile component, as well as to coordinate online and offline marketing channels, will be able to experience a stronger pace of its growth (Dapp, 2011, p.7).

At stationary stores are important innovations in store layout design, merchandising, space management on shelves, role of personnel and creating of buying atmosphere (Nufer & Wurmer, 2008, pp. 7- 16 and quoted lit.).

In that sense at stationary stores are specially important technical and technological innovations for facilitating processes of customer decision making and directing for increased buying. One example could be electronically price label or indicator (germ. *elektronischer Preisschilder*).

Furthermore, an extremely useful are computer-terminals based on touchscreen technology, which provide to customers additional information about goods, and which can be connected to the customers devices (eg. smartphones). These terminals are used at the same time and for advertising. Particularly important are Self-Check-Out systems.

Particularly Internet technology is increasingly used in advertising. And for these processes are important mentioned customer's devices (eg. smartphones). Of course, in the framework of e-marketing into consideration also come: email, newsletters, social networks, television in the store (In Store TV) and personal assistant when buying (Personal Shopping Assistant, PSA). Of course, unavoidable is new RFID technology (Radio Frequency Identification Devices) that enables "intelligent behavior" with customers in the store.

4. INNOVATION IN CONCEPT FOR EXPLANATION OF RETAIL BUSINESS UNIT'S FORMAT DEVELOPMENT

For theoretical analysis of concepts for explanation of retail business units' format development to stress the importance of concentration and deal later with innovative incentives for design of retail business units, based on selected so far developed theories or concepts like: (a) Wheel of Retailing, (b) dynamics of business unit's formats (germ. Dynamik der Betriebsformen); (c) Retail Accordion; (d) Retail Life Cycle; (e) Adaptive Behavior and Natural Selection; (f) Dialectic Process; (g) Resource-advantage Theory; (h) Retail Supply Chain; (i) Institutional Theory; (j) Combined Theory.

All these concepts could be divided into three categories (cf. Fernie, Fernie, Moore, 2003, p. 49):

- (a) cyclic (wheel of retailing, dynamics of business unit's formats, retail life cycle, retail accordion),
- (b) environmental concepts (adaptive behavior and natural selection, dialectic process, resource-advantage theory, retail supply chain, institutional theory),
- (c) combined theory.

As real incentives for the development of new types of retail business units stand out in particular: (a) compensation of store erosion, (b) diversification, and (c) access to the market (Barth, Hartmann, and Schröder, 2002, p. 39, p. 40).

These incentives can be viewed through understanding concepts for explaining the development of formats of retail business units, which have different starting points (Segetlija, 2014, Segetlija, 2014B, Segetlija, 2014c, Segetlija, 2015).

Analyzing through the concept for explaining the development of formats of retail business units some authors (Dunne & Lush, 2008, p. 114-118) report about theories to explain the competition in retail, respectively the evolution of retailing (Newman & Cullen, 2002); other (Fernie, Fernie & Moore, 2003, p. 4) point out that these theories should help retailers to predict future scenarios for their business and call them theories of retail change (Fernie, Fernie & Moore, 2015). When explaining the changes in the retail and necessary reactions of companies to these changes, Kent and Omar (2003, p. 49) emphasize that it's about uncertainties, which depends on whether the environment is stable or dynamic, and what is the level of complexity of this environment .

4.1. Advantages of Concentration

Advantages of concentration have long been analyzed in economic theory. It should be pointed out Marx's works ("Theorien über der Mehrwert", "Grundrisse der Kritik der politischen Ökonomie", "Kapital" I, III) and again mentioned Schumpeter's analyzes showing that large companies have the necessary strength to develop new products and process innovations and that, in fact, they drive economic progress (see eg Schumpeter, 1943, pp. 81 et seq.).

As a significant socio - economic legality concentration is now investigated in connection with the development of distribution structures, particularly retailing. B. Tietz also treats the law of concentration in the trade, among others, for German occasions (Tietz, 1993b, p. 258 et seq).

Concentration in retail can be understood as the process of above-proportional growth of large compared to the small business, so reducing the total number of retail businesses (Ahlert, 1985, p. 116). This means that the advancement of the process of concentration can be seen in the increase in market share of a smaller number of companies (see: Nieschlag, 1972, p. 326). This process in the retailing of market-developed European countries accelerated from the mid-sixties (Beckermann & Rau, 1977, p. 39). In particular, the concentration in retail can be observed through the number and market share of large stores.

In historical analysis of retailing development, it should also analyze development of its concentration, in order to explain changes of retail business unit's format.

It is therefore considered that the large retail chains today are particularly important, because they are mostly internationally oriented and are creators of international value adding chains (in terms of supply chains) and the construction of new business models.

The contemporary large trading companies are developing new organizational and co-operation forms by using new organizational approach and forming their supply chains in a way to change relationships with its suppliers in terms of a new division of logistic tasks. Supplier relationships are developed in a range of confronting interaction to tight and comprehensive cooperation (Magnus, 2007, p. 27).

The above shows that the processes of concentration is developing vertical integration not only retail and wholesale, but, still, large retailers (domestic and foreign) associated with the producers, primarily on the basis of trade marks (Eng. Retail brands), so that there is competition entire supply chains.

From the abovementioned emerges that in processes of concentration vertical integration is developing not only between retail and wholesale, but furthermore large retailers (domestic and foreign) are connecting with the manufacturers, primarily on the basis of retail brand (private labels). This results in wider and deeper competition of entire supply chains (supply chan vs. supply chain).

In this way, the importance of distribution channels and distributive trade for national economy are reflected, in fact, in the activities of its large companies.

Retail companies or enterprises, due to the market situation, are changing its image and develop new business types. In fact, the execution of the functions of trade on the market they realize its effects on the basis of certain actions, respectively by of use action parameters they can innovate types of business units (cf.. Barth, Hartmann, and Schröder, 2002, p. 38).

Innovation of types of retail business units can be compared with product innovations in the industry, because in both cases there are new market effects. However, in contrast to industry, in trade it's about innovation of intangible services that focus on the performance of trade functions, so innovation of types of retail business units involves in the trade also the processes innovation. These innovations, therefore, should be seen as an element of market strategy. Partial strategies (individual marketing variables) are parameters of innovation of retail business unit's types, all within a unique retailing mix. Certainly, they are important incentives for innovation of business unit's types, which then leads to the new concept of marketing strategy (Barth, Hartmann, and Schröder, 2002, p. 39).

4.1. Wheel of Retailing

In the concept/theory "wheel of retailing," which emerged in 1931 by McNair (Tietz, 1993, p. 1315), the starting point is that the new forms of retail business units could strength the market position through the strategy of aggressive price and concentrating on products with high turnover rate (Specht, 1988 and quoted lit.).

At the stage of the growth leads to a large increase in traffic with the still minimal services and simplest furnishing of stores. In the final stage of take-off and the maturity these forms of business units become more vulnerable, resulting in price competition between them and imitators. Then observed forms of business units begin to introduce other instruments of

marketing, and that forms their “trading up”: better service, a wider assortment and more acceptable selling atmosphere in stores. Such a strategy reflects on the increase in investment and running costs, which all leads to price increases and new marketing strategies. In fact, it leads to integration of concepts of these business units formats with pre-existing. If they do not succeed with the new strategy, these formats of business units have to be withdrawn, thus reopening the space to bidders with lower prices (and again a new format of business units can be launched).

For this concept is important initial appearance of an innovator. Since the innovative concepts could be achieved not only in the area of price, but in other areas, some authors have found that this concept does not apply in all cases, because all formats of retail business units were not starting out with low prices (Tietz, 1985, p. 1322).

4.3. Dynamics of Business Units Formats

Concept “dynamics of business units formats” was set up by R. Nieschlag in 1954 (Tietz, 1993, p. 1315) and came up with similar results as McNair with the concept of the Wheel of retail. He pointed out that new formats of retail business units adapt to changes in the whole economy (see: Nieschlag, 1972, p. 113). But the question is raised: does the new forms of trade business units must pass certain phases, similar to the so-called product life cycle? (Nieschlag, 1972, p. 119).

The starting point of the concept dynamics of business units formats is that new formats of retail business units were the first to introduce a new way of doing business, which is characterized by lower prices and lower costs. They were typical representatives of price competition in the market, eg.: department store, consumer cooperatives store, shipments trade houses, stores with unique or low prices, supermarket, consumer market (germ. Verbrauchermarkt). However, when some form of retail business unit comes to the stage of maturity, when assimilates from others use of other non-price related instruments of competition, there is an opportunity for the emergence of a new format that starts with low costs and low prices.

Like the concept of the wheel of retailing, and the concept of dynamics of business units formats can be criticized, because it also shows the opposite trend, ie. that also formats of business units with pronounced high demands, and prestigious types, have entered the market, and who performed with a higher level of price than their competitors. As an example of this phenomenon can be mentioned convenience stores in the US (Ahlert & Kenning, 2007, p. 133). However, in recent times there are examples of the strategy of low prices, combined with a reduced range of services. These are, eg., price-aggressive discounters like Aldi and Lidl as well as Ikea and Roller retailing, and Metro Cash and Carry in wholesale trade (Ahlert and Kenning, 2007, p. 133).

It has been realized that the benefits of the services are one of important reasons for successful market performance of new prestigious formats of retail business units. They are oriented on the different structures of consumer needs, and therefore there are different types of offers. However, in these models over time may be introduced trading down and then assimilation follows in the opposite direction of the previously mentioned model Wheel of retailing (the initial performance with low prices) (Ahlert / Kenning, 2007, p. 133-134 and quoted lit.). Thus, the "trading up" and "trading down" can develop in different order.

4.4. Retail Accordion

Concept "Retail accordion" for American occasions has been explain by R. Gist (Tietz, 1985, str. 1323). It is called the "theory of sequence of generalization and specialization" (Tietz, 1993, p. 1318), or "general – specific - general cycle", because this concept usually gives a descriptive sequence of generalization and specialization over time. So, it is about creating a store with specialized assortment and stores with universal assortment.

For this concept is very important sequence which leads to creating of new universal store or hypermarket (Cox & Brittain, 2004, p.7):

- (a) Joining complementary lines,
- (b) "*Creaming*" - inclusion in assortment other most popular lines from assortment of other retail outlets to create additional profits (small but sure)
- (c) "*Scrambling*" – inclusion in assortment some risky merchandise from other outlets by buying high margin, and lower stockturn lines, e.g. unit audio, expensive toys.
- (d) Adding of full assortment by "borrowing" from other institutions,
- (e) The growth of shopping centers.

From the above it can be concluded that, under the concept of Retail accordion, changes in the format of retail business unit are explained on the basis of the possibilities for change of execution of assortment functions, but the processes of generalization and specialization can also flow and at the same time.

Scrambling merchandising (Berman & Evans, 1992, p. 94-95) refers to the expansion of the sales assortment (number of different product lines). Retailer adds items that are not associated with any other items neither with its original business. This creates a "hole" at other retailers who then also enter into other areas of the product assortment. Such processes of mixing of goods, in fact, run parallel with the processes of exchanging tendency of generalization and specialization in the assortment.

The idea of scrambling merchandising was created as part of the US "superstores" in which retailer combines grocery asortment with various other merchandising. In fact, the "scrambling merchandising" referred to the combination of goods by category. Here are also some roots of contemporary *category management*. There are numerous examples all over, not only in hypermarkets, but also in supermarkets and discount stores.

4.5. Retail life cycle

W. Dawidson, D. A. Bates i S. J. Bass are authors of "retail life cycle" conception. "Retail life cycle" conception is integrally published in 1976, although the idea of the life cycle of retail business units occurred earlier. In this concept describes the development of formats of retail business unit analogous to product life cycle (Specht, 1988, p. 73).

For American occasions, W. Applebaum has already in the mid-sixties stressed that the life expectancy of retail services is relatively short (Lawrence, 1979, p. 31). Similarly, B. Tietz (Tietz, 1969, pp. 856 and 857) for the German occasions noted that the company's decision about creating a new type of business unit is determined based on many factors, and due to these changes expected differences of revenue over expenses are dependent on life cycle of formats of business units. This author found that in the retailing of majority food products average life cycle of store formats after World War II was a three to four years.

The essential difference in relation to concept of the "wheel of retailing" and "dynamics of business units formats" is in describing the strategy that prevails in some phases (it is not only about pricing strategy). New formats of business units achieved phase of development if its marketing conception, rise above the existing concept. The basis for this can be an aggressive pricing strategy, but also a unique special offer of goods and services. Such a concept enables competitive advantages and rapid development, but he inhibits later due to organizational problems, the growing cost of personnel and exceeding the optimal size of the company. In the stage of maturity decreases vitality of pioneering companies, which react insufficiently flexibly to new formats of business units and opportunities in the environment. At this stage should be modified marketing strategy; otherwise there is a loss of market share, and thus the decrease of competitive ability.

In life cycle concept is important that marketing strategy doesn't depends only on phases of life cycle, because marketing strategy design is not influenced only by external factors. Life cycle is result of obsolence of strategy itself and declining vitality of enterprise.

Concept of retail life cycle is further elaborated through concept of "store erosion". By observing individual store one can notice important events in its lifetime: opening, rearrangement, expansion and closure. This, therefore, is explained similar to the products and technology, through the store life cycle model (Specht, 1988, p. 68). So, the premise is accepted that new stores within a few years reaches temporary peak of sale turnover, after the renovation renewed development phase is carrying on, and finally moves to the phase of maturity. The duration and flow of cycles are very conditioned by marketing strategy and location factors of the environment (Corsten, Ed., 1993, p. 525).

Store erosion is caused by changes of location factors in environment (changes in commercial streets, neighborhoods and similar). That is "external erosion", and there is also "internal erosion" which that occurs due to lack of so-called profile marketing, for example, in the arrangement of the facade and interior design of stores (Specht, 1988, p. 68; Oehme, 1983, p. 339). Because of the store erosion it is necessary to do store refurbishment, renovation, expansion and so on (and eventually the closure). There are different possibilities for retailers' reaction to counteract store erosion and to influence the life cycle, or on its continuation (Berger, 1977, pp. 198-263).

If we start from the "internal erosion" retail business units, then it does require observing and analysis of change in the structure of consumer needs neither intensifying of ompetition for this market segment. Now it is important to compensate erosion based on the modernization of the retail business unit or to completely leave an outdated type of business units instead introduce a new type with a new business concept. The intention to compensate degeneration phenomena in the life cycle of existing business types can give cause to the implementation of innovation types of retail business units (Barth, Hartmann & Schröder, 2002, p. 40).

In addition to compensation, the concept of store erosion offers both further diversifications as a reason for the innovation of types of retail business units (Barth, Hartmann, and Schröder, 2002, p. 40). Large retail subsidiary systems can implement the diversification of its business units with the purpose of equalizing the risks and to better grasping the existing demand. These tendencies towards diversification can give rise to innovation of business unit's types, which may represent a market novelty.

But the innovation of types of retail business units is also used by newcomers (outsiders) to obtain quick access to the market. In these processes important is their creative potential. This is the case with e-retailing which, however, is also introduced by the already established retailers who, on the basis of such market access, developed new types of retail business units in terms of multi-channel and/or omnichannel retailing (Barth, Hartmann, and Schröder, 2002, p. 40-41).

4.6. “The adaptive behavior and natural selection”

R. Gist (1968) explained the concept of "adaptive behavior and natural selection" (Tietz, 1993, p. 1315) that is based on Darwin's theory of development (ie. The theory of evolution), and biological analogies, and refers to the need to constantly adapt to the environment and the survival of only the fittest. Therefore, the retail business units need to adapt to the environment which include: suppliers, customers, competitors, socio-economic developments.

“Ultradarwinism” is a form of the theory of evolution, which does not refer to the fact that the most capable survive, but that survives the fittest genetic material (Ferne, Ferne, Moore, 2003, p. 56).

4.7. “Dialectical process”

The concept of "dialectical process" is also known as concept of “theory of evolution.” This concept can not apply only to the particularity of the retail business unit, because the concept of evolution (in general) is also developed for the lifecycle of the company (Tietz, 1985, p. 1319; Tietz, 1993, p. 1314).

The concept of "dialectical process" refers more to the non-food sector (furnishing, household appliances, clothes, shoes, accessories for the garden), although it can also be used for the sector of mainly food products (eg., "drogerie market", "professional market of wine") (Oehme, 1992, p. 401, p. 402).

The basis for the concept of "dialectical process" is a struggle of opposites. For Germany occasion usual example is: professional store - thesis, discounter - antithesis, the professional market (germ. Fachmarkt) - synthesis (Tietz, 1993, p. 1314).

In this conception, the evolutionary effect of double negation is based on the fact that there are more than two antithesis options. Therefore, in practice there are parallel opposite formats of business units over long periods (Tietz, 1985, p. 1319).

4.8. “Resource-Advantage Theory”

To describe the development of retail competition Dunne and Lusch (2008, p. 117) highlighted "Resource-Advantage Theory".

According to Dunne & Lusch (2008, p. 117), this theory is based on the idea that all firms seek superior financial performance in an ever-changing environment. These results arise from achieving competitive advantages in the market on the basis of a tangible or intangible creation ("resource"). Retailers can use creation (eg. innovation concerning the location procedures or choice of goods) to offer greater value to the market place. However, all the retailers can not reach the expected results at the same time. Thus, the retailer uses this

approach to offer better value at the market place and / or to do business at a lower cost compared to competition. It is therefore necessary that the current high-performance retailers observe the development of less-efficient competitors, so that they not overtake them.

This competition results in a continuous movement of the market in which new retail formats and offers are constantly out on the market, and consumers are constantly changing their purchasing preferences and visits to retailers.

For this concept of "Resource-Advantage Theory" is an important diversification of retailers who compete with one another by means of choice of goods, price, service, communication, housing, improvement of distribution and the creation of relationships. Each of them has complex competitive position and meets the needs of specific groups of consumers with its format of retail unit. Certain format of retail business unit is viable as long as the consumer group is large enough to achieve acceptable profits for retailers and as long as retailer reasonably manage its relationships with customers and business. The retailer will be successful as long as better meets the needs of its target customers than competitors and while uses cost controlling.

Therefore, it is important that there is a differentiation in the supply of different types of retail business units, but also important are large enough different groups of users - market segments. In fact, all customers are not equally able to fully comprehend all the shopping opportunities at retail, but neither all retailers are as able to recognize the possible advantages over its competitors

Of particular importance for retailers may be pointed out that the various improvements and lowering the cost of logistics services can achieve cost advantages, which are hard to copy (Bloomberg, LeMay, Hanna, 2006, p. 47). Because resources are quite heterogeneous even for entities that belong to the same business, there are great opportunities to create competitive advantages with regard to the relationships within the business (Dunković, 2009, p. 147, p. 148 and quoted lit.)

Resource-advantage theory is connects with conception "retail supply chain", respectively conception "value chain".

4.9. "Retail supply chain"

Since changes in the retail environment led to changes in the management of retail, today new concept of reviewing the dynamics of the process are introduced, and likewise, have expanded the boundaries of retail business systems analysis and action (Segetlija, 2012, p. 99 - 105). This could develop a concept of the value chain, or "connections in the retail value chain."

Thus, new forms of retail business units appear in the process of concentration of capital, as well as concentration of functions, a further division of labor, and higher level of cooperation, as well as in the process of developing trade functions which increases market transparency (Segetlija, 2011).

By observing previously analyzed concepts from that perspective, we can see, eg., that advent of universal department stores revolutionized retailing in terms of introducing the industrial principles: a higher level of division of labor, improved indication of the prices, taking over of wholesaling function (skipping wholesale), and active involvement of consumers in the

purchase process (self-choice, the possibility of returning the goods, etc.). This explains the "wheel of retailing" or "trading up" or "trading down". With self-service consumer takes part of function, which were previously performed by the dealer (serving and carrying of goods, and today the coin self payment), and the industry part of the functions previously performed by the retailer (packaging, marking, "self selling" etc.).

In the last twenty years in retailing in the developed world, a dramatic change occurs and stands out in particular the results of concentration and internationalization process (Wortmann, 2003). It is as horizontal as well as vertical concentration of the wholesale trade. Special retailer-supplier relationship is developing in terms of lean retailing where it is important to optimize information and commodity flows. Furthermore, it is about a new division of labor between industry and trade and the expansion of private labels.

In addition, in all of this should be also identified processes of retail procurement globalization. In fact, global value chains are developing that can be differently designed and coordinated, and commercial company increasingly occupies a central role in them.

In this regard is developing of new formats of retail business units (self-service, discount, out of town professional market, etc.).

4.10. "Institutional theory"

"Institutional theory" is based on the so-called institutional economics, respectively new institutional economics. The main themes in the new institutional economics are: (a) transaction costs, (b) Property-Rights; (c) contractual relations Principal-Agents (see: Eitner, 2008, p. 104; p. 105).

According to the "institutional theory" (v. Fernie, Fernie, Moore, 2003, p. 64 et seq) decisions and activities of retail organizations reflect cultural and economic norms of environment in which it operates. These norms/standards are available at the level of the tasks and the institutional level.

At the level of the tasks retailer responds to its environment with its activities in terms of adapting to the needs of customers. They are linked to the decision on the adaptation of retailing, eg., product assortment, pricing strategies, inventory and locations.

At the institutional level, retailers' activities are limited or made in accordance with the cultural and moral norms. These norms influence the internal culture of the company and its perceived role in the society in which it exists. As an example, consumer expectations to hire or promote local talent, that the retail company is active in the community, or to sell locally produced products (in addition to those which are generated nationally and internationally). But the range of institutional compliance of retail company with its environment goes to eg. accepted flexibility of working hours, if it is accepted by the public as a useful strategy in terms of maintaining the price at a reasonable level.

When activities of retailer reflect norms of his environment (the so-called isomorphism), justifies the organization and its institutional activities and activities of execution in the spirit of the various institutional actors (customers, shareholders, staff, suppliers).

As an example is the construction of shopping centers in Croatia that was encouraged with the development of transport infrastructure and the so-called enterprise/business zones (Segetlija, 2015).

4.11. "Combined theory"

Since the retail is intensively connected with its environment, combined conception that explain the changes and the development of formats of retail business units have emerged. The need for a combination of conception "dialectical process" and "wheel of retail" stressed already RE Gist (Senic, 1976, pp. 47 - 49), and later by other authors (eg Mason, Mayer, and Ezel, 1988, p. 29; Mason and Mayer, 1990, p. 27). We have already mentioned the benefits of the combination of the conception with the conception of supply chain (Dunković, 2009).

However, it should specially mention the combination of conceptions and strategies. Thus, eg., within the concept of evolution are presented both strategies, including, among others, vertical integration of retailers with manufacturers (see: Fernie, Fernie and Moore, 2003, p. 55 - 60), which can be sorted out as a special conception (see: Segetlija, 2012, pp. 99-105). We have already mentioned the benefits of the combination of the conception resource-advantage with the supply chain conception (Dunković, 2009).

5. SOME INDICATORS FOR SELECTED EUROPEAN COUNTRIES

Considering the great importance of concentration for the innovative formats of retail business units, in Table 1 are presented the European countries in which are the headquarters of largest retailers in the world in 2013. It is about the companies / groups that have joined top 250 largest retailers in 2013. Table 1 indicates that in Germany was the highest number (17) of retailers who fall into this group. They were spreading not only in European countries, but also in non-European countries. In 2014/2015, there was in the grocery sector three German retailers who belong among the top 10 (top 10 Lebensmittelhändler Welt 2015). At the same time, in Germany among the 10 largest in the grocery sector in 2014 was not a single retailer based outside Germany (Top 30 Lebensmittelhandel Germany in 2015).

Table 1. The importance of largest retailers in European countries 2013.

Ordinal	Country	Nummber of companies	Number of single country operators	Share of Top 250 revenue (%)
1.	Germany	17	1	10.6
2.	France	14	1	9.4
3.	United Kingdom	14	3	6.2
4.	Netherlands	4	1	2.2
9.	Spain	5	1	1.9
6.	Switzerland	4	1	1.5

7.	Belgium	4	0	1.3
8.	Russia	6	5	1.2
9.	Sweden	5	3	1.1
10.	Italy	5	2	1.1
11.	Norway	3	2	0.6
12.	Finland	2	0	0.5
13.	Portugal	2	0	0.5
14.	Austria	2	0	0.4
15.	Denmark	2	0	0.4
16.	Croatia	1	0	0.1
	Europe	90	20	39,0

Source: Global Powers of Retailing 2015, Deloitte, G11 – G16.

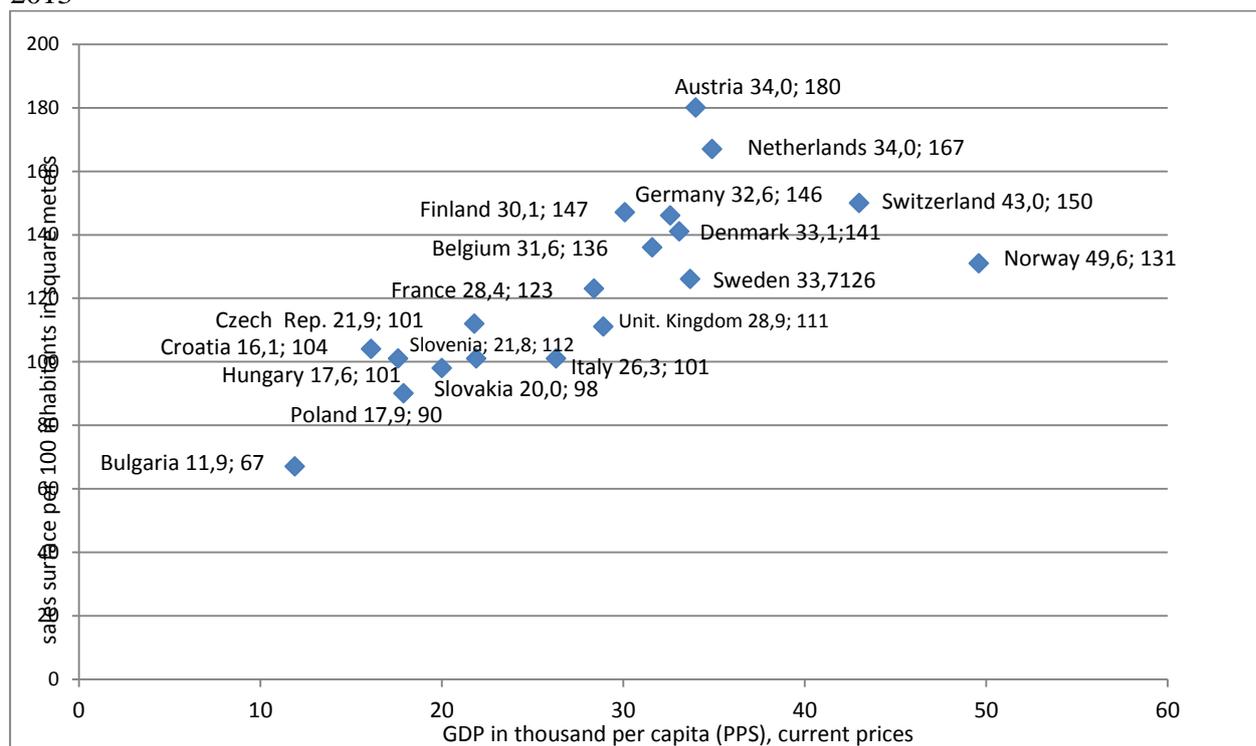
On the other hand, in the transition countries, international (foreign) retailers are mostly prevalent than domestic (Top 10 Lebensmittelhandel Polen 2014 Top 10 Lebensmittelhandel Tschechien 2014 Top 10 Lebensmittelhandel Slowakei 2012, Top 10 Händler Hungary in 2015).

Among the 10 largest retail chains in Croatia, unlike many other countries observed, Croatian retailers prevalent than others, both in food and in other sectors (Kroatischen Einzelhandel fest in Kroatischen Handel, 2010; Top 10 Lebensmittelhandel Croatia 2013).

The large retailers were able to develop formats of retail business units, in which innovations are coming to the fore. Therefore, among the top 50 largest e-retailers in the world are 19 European retailers - 10 from the United Kingdom, 5 from France, 3 from Germany and 1 from the Netherlands. Among them were 3 retailers who dealt only e-retail (pure player) (Global Powers of Retailing 2015).

The expansion of international retail chains in countries that are at a lower level of economic development (eg, transition countries) leads to some inconsistencies with the general economic development of these countries, because in these countries are achieved a lower level of gross domestic product (GDP) per unit of sales area. Graph 1 shows the generated GDP per capita as well as sales area per 100 inhabitants in selected European countries in 2013. The graph shows that the sales area gives fewer effects in economically and market less developed countries.

Graph 1 Sales surface per 100 inhabitants and GDP per capita in selected European countries 2013



Source: (a) Einzelhandel Europa 2014, GfK.

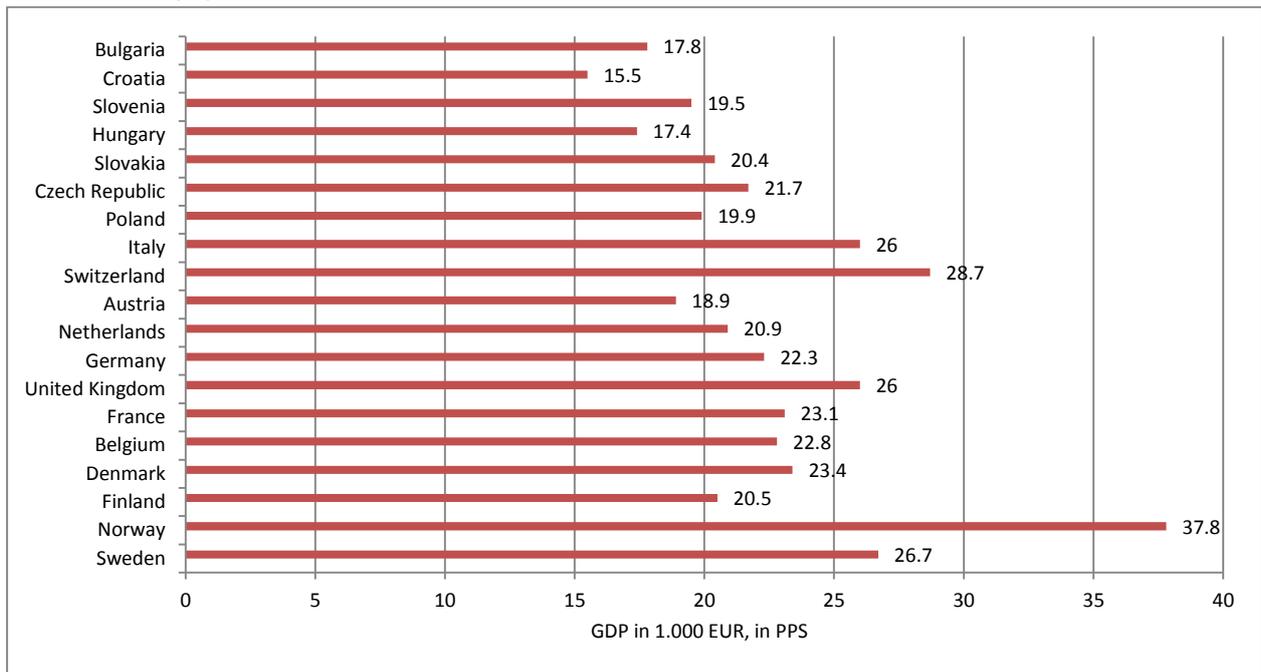
(b) Main GDP aggregates per capita, Eurostat, 2015,

Realized GDP per 1 square meter of selling surface in selected European countries in 2013 is presented on Graph 2.

It is interesting to observe number of stores bigger than 400 square meters in grocery sector per 1 million of inhabitants and share of consumers who purchased online. Comparison of selected European countries was made for 2013 (Graph 3).

Graph 3 indicates that United Kingdom has best ratio between number of large stores and number of consumers who purchased online. It is consistent with indicators for largest e-retailers in Europe. However, retail structures are not dependent only on level of economic development, but other factors (especially institutional) influence their development. However, the retail structures are not dependent only on the level of economic development, but also to their development impact, in particular, institutional factors

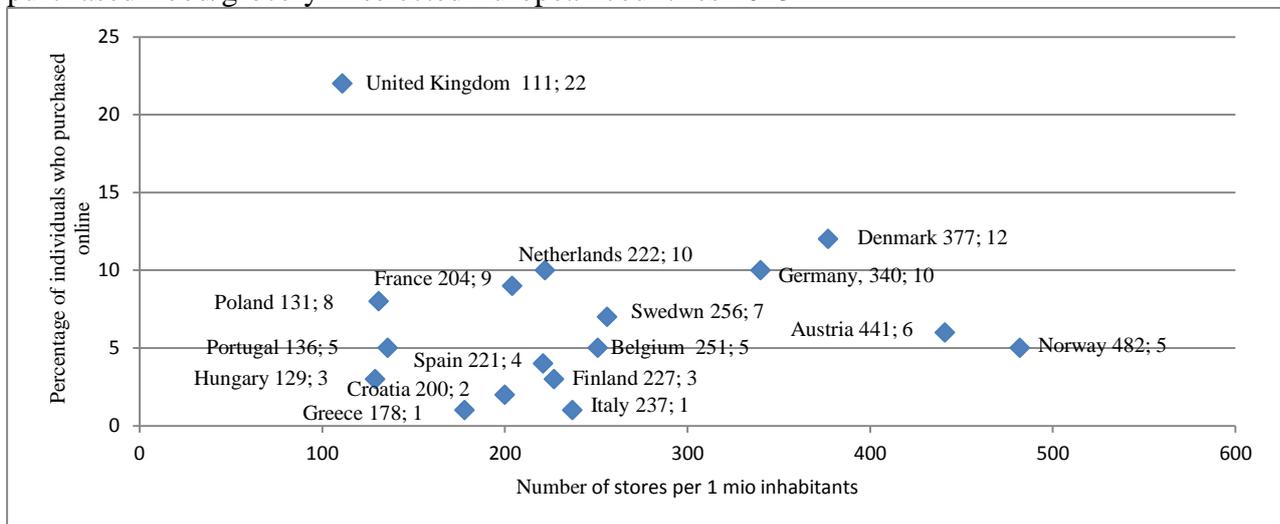
Graph 2 GDP (in thousand) per 1 square meter selling surface in selected European countries in 2013



Source: a) Einzelhandel Europa 2014, GfK.

b) Main GDP aggregates per capita, Eurostat, 2015,

Graph 3 Number of stores per 1 million inhabitants and percentage of individuals who purchased food/grocery in selected European countries 2013



Annotation: * stores with sales surface 400 square meters and more; ** for number of the stores in Croatia authors estimates

Source: a) Xxx (2015) Internet purchases by individuals, Eurostat, available at: www.eurostat.eu (accessed 08 June, 2015)

b) Population on 1 January by age and sex, Eurostat, 2015

c) Anzahl der Filialen im Lebensmitteleinzelhandel pro 1 Million Einwohner in Europa nach Ländern im Jahr 2013, Statista.com.

6. CONCLUSION

Based on conducted analysis general conclusion can be made that there are numerous factors influencing on possibilities and needs for innovation of formats of retail business units. Through analysis of earlier theoretical approach to innovation, respectively “creative design” i “creative destruction”, some basic theoretical findings could be identified. They are current event today, although new institutional economics is unavoidable. Theories for explaining development of retail business unit’s formats are based on of different economic laws. Starting point in those analysis should be laws of concentration as a basis for implementation of different conceptions. In addition needs to be pointed out so called environmental theories, given the strong correlation of retail system with its environment. In that sense this paper could be the basis for more concrete research.

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IDENTIFYING FOOD RETAIL MIX ADJUSTMENTS TO ELDERLY CONSUMERS IN CROATIA

Katija Vojvodić

Department of Economics and Business Economics, University of Dubrovnik, Croatia

Kristina Petljak

Faculty of Economics and Business, University of Zagreb, Croatia

Nikola Butigan

Pemo Ltd., Dubrovnik, Croatia

Abstract

Population ageing has been identified as a critical element of demographic change affecting changes in elderly consumers' retail buying and food-related behaviour. Consequently, elderly consumers are becoming an increasingly important market segment for the retail industry, particularly the food retail sector. In that context, understanding elderly consumers' needs and preferences is crucial for retailers in order to improve their service and capture this market segment more effectively.

Previous research has shown that elderly consumers spend more money on the average at food stores than their younger counterparts, increasingly use local shops, tend to be more brand loyal and prefer personal interaction in the retail store environment. On the other hand, the difficulties and challenges faced by elderly consumers are mainly associated with accessing food retail sites, store size, finding items, placement of products on shelves, shelves height, poor signage, readability, lighting, labelling, packaging, inappropriate portion sizes, changing layout, etc.

The purpose of this paper is to explore food retailers' behaviour and their retail mix adjustments in order to overcome the problems faced by elderly consumers and thus enhance the overall food shopping experience for this age group. Moreover, marketing strategies used to serve elderly consumers will also be examined. To this end, a qualitative methodological approach will be employed and data collection will involve semi-structured in-depth interviews with food retail managers in Croatia.

This research will contribute to the existing literature by providing new insights into food retailers' behaviour towards elderly consumers and suggesting activities that food retail management could undertake to more effectively meet the needs of the elderly.

Key words: elderly consumers, food retailers, retail mix adjustments, Croatia

1. INTRODUCTION

The worldwide phenomenon of population ageing directly affects the retail industry, particularly the food retail sector. In that sense, elderly consumers are becoming an increasingly attractive segment for food retailers. According to Myers and Lumbers (2008), this segment now dictates that retail environments must increasingly communicate with elderly consumers. Given age-associated changes affect consumers' needs, wants and ability, a more supportive shopping environment is needed to better serve this growing consumer segment.

It is notable that numerous authors agree that the elderly consumer market cannot be treated as one homogeneous market (Greco, 1987; Carrigan, 1998; Gunter, 1998; Mumel and Prodnik, 2005; Sudbury and Simcock, 2009; Moschis *et al.*, 2011; Angell *et al.*, 2014; van der Zanden *et al.* 2014). As consumers age, they demand for high-quality products and services and they are willing to make an effort to satisfy their needs (Kohijoki, 2011). Within this context, Omar *et al.* (2014) stress the improved lifestyles of elderly consumers, whilst Leventhal (1997) emphasizes that these consumers are selective, very discerning and sceptical.

On the one hand, it is often emphasized that the elderly have special needs in the marketplace (Lumpkin and Hite, 1988). On the other hand, retailers' understanding of the elderly consumers has so far received little attention. As Meneely *et al.* (2008) argue, food retailers are aware of the issues older consumers face and they express an interest in improving the food shopping experience of older consumers. However, it is also stated that the efforts of retailers are often not put into practice.

Approaching properly the elderly consumer market seems to be essential to meet their needs and to improve their shopping experience. In particular, this refers to the appropriate retail mix used to capture this growing market segment. According to Levy and Weitz (2012), retail mix is a set of decisions retailers make to satisfy customer needs and influence their purchase decisions. Elements in the retail mix include the types of merchandise and services offered, merchandise pricing, advertising and promotional programs, store design, merchandise display, assistance to customers provided by salespeople, and convenience of the store's location.

The purpose of this paper is to explore food retailers' behaviour and their retail mix adjustments in order to overcome the problems faced by elderly consumers and thus enhance the overall food shopping experience for this age group. To this end, the paper is organized into four sections. Following the introduction, the second section considers the bodies of literature associated with the shopping behaviour and preferences of elderly consumers. The research methodology, data analysis and research results are presented in the third section. Finally, the paper closes with conclusions drawn from the paper.

2. LITERATURE REVIEW

In general, it can be argued that elderly consumers' food buying habits differ from their young counterparts. First of all, these consumers spend more money on the average at food stores than younger consumers (Moschis *et al.*, 2004; Ong *et al.*, 2008). According to Meneely *et al.* (2009a), a decline in patronage of multiple retailers is evident as age increases as elderly

consumers tend to use local shops. They also appreciate the provision of additional facilities, e.g. a post office or chemist (Meneely *et al.*, 2009b). Furthermore, shopping can be seen as a social activity (Kang and Ridgway, 1996) and a way to reduce elderly consumers' loneliness and to enhance social interaction (Kim *et al.*, 2005; Pettigrew, 2007). Similarly, Myers and Lumbers (2008) outline the importance of shopping as a means of socialisation and a leisure pursuit.

However, elderly consumers face various in-store difficulties, e.g. store size and changing layout (Meneely *et al.*, 2009b). In this sense, Pettigrew *et al.* (2005) identified the three issues of most concern to elderly supermarket shoppers which included the demeanour of supermarket employees, the functionality of shopping environment (i.e. trolleys and baskets), and the appropriate placement of products on supermarket shelves. Likewise, Yin *et al.* (2013) found that one major problem was around understanding where certain products were placed on shelves and why. In addition, they also identified other areas of concern, such as shelf height, poor signage, labelling and inappropriate portion sizes. Elderly consumers also reported they would not return to and would avoid looking around in retail stores without chairs or benches or with inappropriate product placement on retail shelves (Moye and Giddings, 2002).

When it comes to the food-shopping experience, Hare (2003) indicated key areas of dissatisfaction for elderly consumers, such as aspects of products for sale, retail practices and factors in the community which affected the shopping trip. Further, Teller *et al.* (2013) discussed the impact of cognitive (or self-perceived) age on grocery-store patronage by elderly shoppers. Their findings revealed that the impacts of product range, manoeuvrability, and atmosphere within the store on satisfaction became significantly stronger with increasing cognitive age. In addition, findings also show that elderly consumers feel younger than their actual life age (Ying and Yao, 2010).

As regards retail store lighting and the influence of the colour of light on readability and overall colour perception, the study by Park and Farr (2007) indicated that elderly consumers had more difficulty with warmer lighting when value contrasts were reduced. In addition, elderly consumers also rated their level of comfort and preference higher than the younger participants under all lighting conditions. Besides retail store lightening, elderly consumers also reported both physical and psychological problems with product packaging (Sudbury-Riley, 2014).

In the context of elderly consumers, the role of sales personnel should be emphasized (Oates *et al.*, 1996; Hare *et al.*, 2001). Within this context, elderly consumers identified friendly and helpful staff as positive factors associated with food shopping (Meneely *et al.*, 2009b). As observed by Johnson-Hillery *et al.* (1997), elderly consumers perceived older sales personnel more positively than they perceived younger sales personnel. On the other hand, evidence also suggests that retail sales personnel's attitudes toward young consumers were significantly more positive than toward elderly consumers (Johnson-Hillery, 1995). In addition, Lu and Seock (2008) argue that personal interaction is the strongest predictor of both elderly consumers' satisfaction and overall loyalty behaviour. With that in mind, Leventhal (1997) states that creating a relationship with older consumers is of the utmost importance.

When it comes to brand loyalty, elderly consumers are attractive targets for retailers. Findings indicate that brand choice behaviour by elderly customers becomes an increasingly important issue for marketers (Singh *et al.*, 2012). Whereas younger consumers have a greater

propensity to change their preferred brand, elderly consumers remain attached for a longer duration to the same preferred brand (Lambert-Pandraud and Laurent, 2010). Similarly, East *et al.* (2014) state that elderly consumers tend to be more brand loyal, have smaller consideration set and defer purchase more than younger consumers.

With regard to new product adoption by elderly consumers, Lunsford and Burnett (1992) highlight a requirement to focus specifically on need, not newness. Further, Karani and Fraccastoro (2010) examine another aspect of the elderly consumer's brand loyalty, i.e. resistance to brand switching. They claim that elderly consumers are not only more likely to repurchase but also actively resist switching brands once they have established a favourite brand.

However, it is also argued that elderly consumers are lacking "power" within the marketplace (Hare *et al.*, 1999). As Gunter (1998) states, older people are often stigmatised with negative stereotypes regarding their physical and mental capacities. On the contrary, however, evidence suggests that elderly consumers continue to remain physically and socially active (Thomas and Okleshen Peters, 2009). However, Pak and Kambil (2006) state that there are psychological, social, economic and biological changes that affect the spending habits and priorities of these consumers.

Based on a review of empirical studies, it can be observed that more related research is still needed to better understand the complexity of the topic. In particular, this refers to food retailers' perceptions of elderly consumers which remain under-researched topic, especially in the context of the problems faced by elderly consumers as well as marketing strategies used to serve this market segment. In light of this, the next chapter deals with an exploratory study based on a sample of Croatian food retailers.

3. METHODOLOGY, DATA ANALYSIS AND RESEARCH RESULTS

For the purpose of this paper, a qualitative research study was conducted in order to examine current retail mix adjustments towards elderly consumers in Croatia. The research method used in this study was a semi-structured in-depth interview, questions for which were constructed based on the literature review and previous research in the field. Research questions predominately followed the methodology used by Meneely, Burns and Strugnell (2008). The questionnaire consisted of the following major sections. In the first part of the interview, the data on retailers were collected, whilst in the second part respondents were asked to assess the following elements: access to the store, access to food in-store, affordability, access to food at home, communication, information and vision of future trends regarding adjustment to this important market segment in Croatia.

Qualitative data were collected from July to September 2015 using telephone interviews with Croatian food retail managers (n=10). Research response was satisfactory given three of the top ten leading food retailers, as well as seven small and medium sized retailers participated in the study. Thus, research insights could be interesting with regard to the different size of retail companies, as well as different markets (national, regional, and local). Table 1 shows sample characteristics. All of the respondents were either top managers or owner-managers. All of them are familiar with and in charge of retail strategies. Therefore, the research results capture top management's observations and the complexity of the research topic.

Table 1 Sample characteristics

Retailer	Origin	Market	Retail formats	Respondent
<i>Retailer 1</i>	<i>domestic</i>	<i>national</i>	<i>hypermarkets, supermarkets, neighbourhood stores</i>	<i>male, board member</i>
<i>Retailer 2</i>	<i>foreign</i>	<i>national</i>	<i>hypermarkets, supermarkets, neighbourhood stores</i>	<i>male, board member</i>
<i>Retailer 3</i>	<i>foreign</i>	<i>national</i>	<i>supermarkets</i>	<i>male, regional director</i>
<i>Retailer 4</i>	<i>domestic</i>	<i>local</i>	<i>hypermarkets, supermarkets, neighbourhood stores</i>	<i>male, managing director</i>
<i>Retailer 5</i>	<i>domestic</i>	<i>local</i>	<i>supermarkets, neighbourhood stores</i>	<i>male, owner-manager</i>
<i>Retailer 6</i>	<i>domestic</i>	<i>regional</i>	<i>supermarkets, neighbourhood stores</i>	<i>male, owner-manager</i>
<i>Retailer 7</i>	<i>domestic</i>	<i>local</i>	<i>neighbourhood stores</i>	<i>female, managing director</i>
<i>Retailer 8</i>	<i>domestic</i>	<i>regional</i>	<i>neighbourhood stores</i>	<i>male, managing director</i>
<i>Retailer 9</i>	<i>domestic</i>	<i>local</i>	<i>supermarket, neighbourhood stores</i>	<i>male, owner-manager</i>
<i>Retailer 10</i>	<i>domestic</i>	<i>regional</i>	<i>supermarket, neighbourhood stores</i>	<i>male, owner-manager</i>

Source: Authors' research

All of the respondents emphasize the importance and the need to adjust the retail mix towards the elderly consumers given they constitute a significant part of their target market, depending on the size of a retailer. In that context, small retailers (predominately those operating neighbourhood stores) state that 90% of their customers are elderly people. On the other hand, when it comes to large retailers, this percentage is significantly lower, varying between 30 and 50%.

Retailers are usually promoting and discounting basic shopping basket products. However, they emphasize the importance of fresh fruits and vegetables as an imperative in their stores. Besides shopping basket, some retailers also stress the importance of holding the right mix of non-food items (e.g. diapers for the elderly, socks, etc.). Retailers also underline the importance of variety of assortment due to different needs of elderly people. On the other hand, in addition to the promotion of national brands, large retailers also promote their private labels, which constitute a significant percentage of basic shopping basket products.

With regard to their size, retailers also differ when it comes to loyalty programs targeting elderly people. Hence, small retailers predominately operating neighbourhood stores, offer loyalty cards for elderly people in order to offer them an additional discount. On the contrary, large retailers offer the elderly special discounts at a specific time and day. Nevertheless, some retailers are still experimenting with their loyalty programs oriented towards elderly consumers, while the others state that they continuously adjust their retail mix.

In the context of retail mix, location is of the utmost importance for small retailers. This is crucial when it comes to the elderly. The ease of access to the store is often one of the most important factors influencing the choice of the store for elderly consumers. Additionally, personnel in neighbourhood stores even call their elderly consumers in order to inform them on special promotions over the phone. Moreover, in rural areas, retailers are targeting special discounts for the elderly immediately after receiving pension payments.

Further, all retailers stress the importance of providing extra services to their consumers. In that sense, small retailers offer elderly people the possibility of calling and ordering the goods over the phone, and making deliveries to their homes. On the other hand, large retailers offer home deliveries depending on the value of their shopping basket.

Regarding the layout of the store, retailers argue that they do not devote special parts of the stores to the elderly. However, it is interesting to mention that some small retailers adjust to this segment by offering chairs in the stores, so that elderly people could rest during their shopping. This finding is in line with a study by Meneely, Burns and Strugnell (2008). In particular, small retailers emphasize the importance of shopping as a means of socialisation and a way of reducing loneliness of the elderly. Similar findings are confirmed by Myers and Lumbers (2008) and Kim *et al.* (2005). Also, respondents stress the importance of personal interactions, as well as gathering in coffee bars next to the stores in order to enhance the overall shopping experience of the elderly.

With regard to the elderly's use of the Internet, small retailers consider developing the Internet business in the future. All of them agree that, from logistics point of view, such a process is very demanding and also very expensive. However, this could be a way of adjusting retail mix towards this growing market segment in the future.

4. CONCLUSION

Demographic aging has resulted in changes in retail habits and food-related behaviour. Nowadays, the elderly population is the fastest growing segment globally with increasing economic power. In order to survive on the highly concentrated and competitive market, retailers should focus more on meeting needs and wants of elderly consumers. This is especially true for small retailers, predominately those operating neighbourhood stores.

Due to ageing, elderly consumers encounter a number of difficulties in coping with shopping in the store environment. Therefore, a better understanding of elderly consumers will result in more effective targeting of this fastest growing market segment. Using findings from an extensive review of literature, in-depth interviews with 10 Croatian food retail managers were conducted. To the best of authors' knowledge, this exploratory study is the first study on food retailers' observations of their adjustment to elderly consumers in the Croatian retail market.

In general, food retailers understand the difficulties and challenges faced by the elderly consumers. Furthermore, they are highly aware of the market potential of this growing segment. To summarize, except certain adjustments, the overall notion is that food retailers should strive more in making changes to improve in-store consumer expectations, and enhance the overall shopping experience.

Given this research included food retail managers' perspective, future research should take into consideration Croatian elderly consumers. More precisely, it should shed light on elderly consumers' shopping behaviour with the special emphasis on access to and within the store, in-store amenities, the provision of additional facilities, access to products (e.g. shelf height), product packaging, retail lighting, home delivery services, merchandise quality, etc. Such findings would provide retailers with valuable information for improving their service to elderly consumers.

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IMPROVEMENT OF MANAGEMENT IN THE SUPPLY CHAIN OF FRUITS AND VEGETABLES IN BOSNIA AND HERZEGOVINA

Ferhat Čejvanović

Government of Brčko District of Bosnia and Herzegovina; Associate of Faculty of Economics, University of Tuzla, Bosnia and Herzegovina

Ivana Plazibat

University Department of Professional Studies, University of Split, Croatia

Zorica Vasiljević

Faculty of Agriculture, University of Belgrade, Srbija

Abstract

Fruits and vegetables are important sectors of agricultural production in Bosnia and Herzegovina, as they provide for population food sufficiency and income for rural farms. In Bosnia and Herzegovina the market supply chain of fruit and vegetables is short, which means that the products are sold near the production site or at local markets. Longer market chains are not largely represented because the producers remain passive and have no contractual placement with wholesalers and retailers.

The main objective of the paper is to identify and analyze the production and sales sectors of fruit and vegetables in B&H, and to improve market supply chain through the proposed application of modern management methods. The data in this research were collected through a survey of agricultural producers (primary sources of information) as well as by an analysis of secondary data sources (scientific and professional literature, data of official statistics). In the analysis of the collected data there were used the following methodological procedures: survey method, descriptive method, methods of analysis and synthesis, method of comparison and methods of descriptive statistics.

As a challenge in managing and establishing a more efficient market chain, it arises the question of how to include small producers into the modern market chain, because they are non-competitive and operate through informal distribution channels, so they cannot be easily reconciled with the standards in order to increase the competitiveness of the fruit and vegetable production and to ensure penetration of the new markets. It is a great challenge and motivation to apply modern management methods with the aim of developing a longer market chain of supply, in which there would be included the small producers as well, through the implementation of marketing standards in the production and sales of fruit and vegetables.

Key words: fruit and vegetables production, fruit and vegetable market, distribution of fruit and vegetables

1. INTRODUCTION

Fruits and vegetables occupy an important place in the agriculture of Bosnia and Herzegovina and have a major role in food security and nutrition for a wide segment of population. Consumption of fruits and vegetables plays a key role in a balanced human diet. Fruits and vegetables appear on the market in fresh and processed state, and they are relatively accessible for all social segments of society therefore become even more important.

High level of duality, with a small proportion of medium-developed producers, together with low income and short supply chain are the basic characteristics of fruit and vegetable sector in Bosnia and Herzegovina.

High duality is reflected in the fact that on the one side there are a lot of small fruit and vegetable producers who produce for their own needs, and on the other one there are the market-oriented producers and companies that can be competitive concerning the size of farms, knowledge, possession of machinery and equipment. The middle market-oriented producers (2-10 ha), which frequently provide the backbone for development of fruit and vegetable production, are underrepresented.

Production of fruits and vegetables is one of the most important sectors in agriculture of Bosnia and Herzegovina. In the last few years this sector has achieved a large increase in production, especially in the sub-sector of berry fruits. An increase of fruit and vegetable production in recent years is the result of significant investments on the territory of whole Bosnia and Herzegovina (USAID/Sida FARMA and et., 2014a).

Production of fruit and vegetables in each country, as well as in Bosnia and Herzegovina, is important because in addition to providing food security, it generates income for the rural farms. The fruit and vegetable production requires the human labor, farming technology, high-quality agricultural land, as well as the machinery and equipment for their production.

2. PRODUCTION AND PRODUCERS OF FRUITS AND VEGETABLES IN BOSNIA AND HERZEGOVINA

The total production of fresh fruits and vegetables in B&H in 2012 amounted to 150 million KM, of which 40% was sold in the international market. Among the fruit crops the most common are the following: plum, apple, pear, raspberry, strawberry, sweat cherry and forest fruits. Among the fruit crops the most common are the following: potato, cabbage, cucumber (industrial cucumber for pickling), tomato, pepper. The most exported are the fresh plums, frozen and fresh raspberries, the forest fruits, cherries, cucumbers, tomatoes, potatoes, etc. Four products where B&H has a significant surplus in trade with other countries are: plum, raspberry, sweat cherry and cucumber (industrial cucumbers for pickling) (USAID/Sida FARMA and et., 2014b).

Generally observed, the fruit production in Bosnia and Herzegovina has a good growth trend and preconditions for development and improvement. The physical volume of fruit production in Bosnia and Herzegovina is a lower per area unit than in other neighboring countries and EU countries. What is good for Bosnia and Herzegovina it is a higher rate of growth in vegetable production than in the neighboring countries with the exception of Serbia. The growth rate of fruit production in Bosnia and Herzegovina is by 8% higher compared to the

world growth rate, which implies that the increase has been directly caused by an increase of cultivable land (FAO, 2012a).

The areas under vegetables and the total volume of production in Bosnia and Herzegovina is increasing but more slowly than the world trend and this is the case in other neighboring countries as well, with the exception of Croatia, which recorded positive growth trend in vegetable production. In the fruit production Croatia is on the 54th position in the world according to the quantity of produced apples, but most of its production is sold on the domestic market. A very small quantity is exported, even though the European countries are the largest importers of apples. Croatian apple market, just like of other fruits and vegetables, is not regulated, but it is left to chance and the negotiating power of purchasers-wholesalers and producers. As a result, the uncertainty of producers and significantly lower purchasing prices than those that could be achieved in the international market (Bezić, 2011).

In the last ten years the production of raspberries, apricots, tomatoes, apples and strawberries had the greatest grown in Bosnia and Herzegovina. In the same period, the production of vegetables was not significantly increased, with the exception of tomatoes whose growth amounted to nearly 20%.

Consumption of fruits and vegetables in Bosnia and Herzegovina is characterized by high consumption of fresh perishable vegetables between May and September and during the year, as well as a high consumption of non-perishable vegetables and winter stores (processed vegetables on the farm) during the winter months. The period of consumption is somewhat prolonged due to the imports of tomatoes and other fresh vegetables.

When it is analyzed the structure of fruit and vegetable producers in Bosnia and Herzegovina, it can be concluded that four groups and four types of producers have been differentiated, which are shown in Table 1.

Table 1: Types and characteristics of the fruit and vegetable producers in Bosnia and Herzegovina

Producer type	Main characteristics and investment challenges		
	General	Fruit producers specifics	Vegetable producers specifics
Semi-subsistence producers	Small-scale holdings with no or small surpluses depending on the years and the crops. Mixed farms growing fruits, vegetables, cereals and breeding cattle and pigs or a few sheep. Non-registered, non-Value Added Tax (VAT) payers, informal market channels.	Exploit old orchards, with low rate of new orchards. Quickly processing of great fruit quantities into syrup and domestic products. Other processed products for self-consumption.	Low level of investments, with exception in some cases of the tomato, cucumber and pepper production increase. Processed pickles for winter consumption and sometimes for green market sales.

	Elderly people or part-time. High social vulnerability for young at the household and without second job.		
Commercial family farms			
Medium estates	Limited land surface and high fragmentation hinder their production upscale and threaten their holding viability. Low on farm storage capacities. Large portion of these farms are mixed farms including other crops and animal production.	3-5 ha orchards or 0.5-1.5 ha berry fruits. Insufficient quality. Direct selling via middleman at the green markets.	1-5 ha open-field or 0.3 -1 ha indoors (greenhouses). Diversified marketing channels, based mostly on farm-gate, green markets and wholesale.
Large estates	Have to establish regular business relations with buyers to sell larger volumes. Single producers are not in position to meet exporters and larger retailers requirements in particular in terms of sales volumes. Have not yet reached the threshold in terms of post-harvest management and logistics to satisfy modern supply chain requirements.	5-30 ha orchards or up to 10 ha berry fruits. Good technological level with intensive orchards. High labor costs. Basic and sometimes advanced storage facilities. Supply chain integration, e.g. seedling production and sales, or production of packaging (wooden trays).	5-30 ha of open-field vegetables or 5-10 ha indoors (greenhouses). High harvest labor costs for non-perishable vegetables. Satisfactory agricultural machinery and equipment.
Firms	High labor costs. Financial challenges due to credits reimbursement. Lack of experience in the agricultural sector.	More than 50 ha of orchards. Supply supermarkets and export market.	Capital and mechanization of intensive production on more than 50 ha area. Mainly privatized former large companies.

Source: FAO, Regional Office for Europe and Central Asia (2012), The Fruit and Vegetable Sector in Bosnia and Herzegovina, Preparation of IPARD Sector Analyses in Bosnia and Herzegovina, p.30.

From the Table 1 there could be observed certain characteristics typical for Bosnia and Herzegovina, among which there is one that in fact many fruit and vegetable producers are working on the mixed farms, where they also grow some crops and raise some livestock.

The import of fruits and vegetables in Bosnia and Herzegovina is mainly done from the neighboring Balkan countries, especially from Croatia, Macedonia and Serbia, and something also from Turkey.

The fruits and vegetables export from Bosnia and Herzegovina is mostly going to the neighboring countries, as well as to Austria, France, Germany, Russia, Turkey and Sweden. The exports have been mainly based on achieved Global GAP certificates, which meet EU market standards. Export is formally organized through companies that have the necessary permits and certificates and through the partner EU companies.

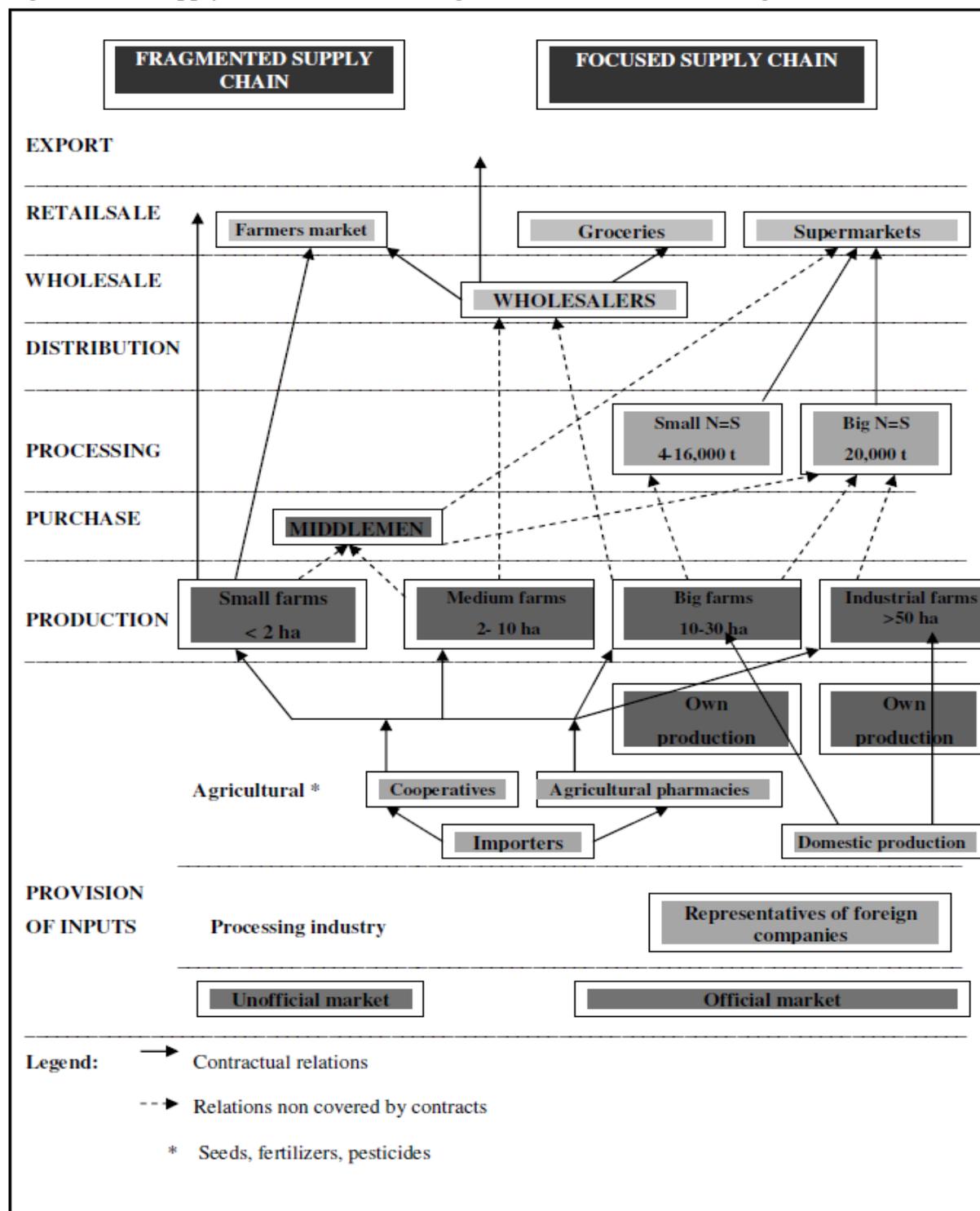
3. THE SUPPLY CHAIN OF FRUITS AND VEGETABLES IN BOSNIA AND HERZEGOVINA

The value chain identifies the primary activities and supporting activities. It defines a set of related activities that are performed within a single business unit. Each activity creates the costs and connections of certain activities. The value chain includes the operating profit, which consumers are willing to pay above the costs of performing both groups of activities (Kaličanin, 2005).

The value chain is a series of primary and supporting activities that adds value to products or services, i.e. it is connected the supplying side with demanding side of the entrepreneur's business. That is why the creation of profitable value chain requires harmonization of changes in the customer's wishes, i.e. of the demand chain and what is created in the supply chain. In order that the supply chains achieve maximal value, it is necessary to harmonize the flow of supply with the flow of consumers' value, due to the rapid changes in tastes, desires and requirements of customers (Perkov & Ćosić, 2012).

The value chain of fruits and vegetables has its own specific features due to the characteristics and types of fruit and vegetables. Production of fruits and vegetables is very important because rural farms are ensuring the food security (primarily by vegetables) and income (primarily by fruits). Most of the fruit and vegetable products in Bosnia and Herzegovina are offered at local markets or wholesale markets. This is primarily due to the absence of long-term contractual relations with processors/traders, lack of facilities for storage and organized logistics, low level of realized price which does not enable investments into the modern production technologies that could ensure sufficient quantities of the high-quality marketable products, and which could be integrated into the existing value chains (FMPVŠ FBiH, 2014a). Figure 1 shows the value chain of fruits and vegetables which is dominant in Bosnia and Herzegovina.

Figure 1. The supply chain of fruits and vegetables in Bosnia and Herzegovina



Source: Federal Ministry of Agriculture, Water management and Forestry of the Federation of Bosnia and Herzegovina (2014), Strategy of the Competitiveness Increase and Attraction of Investments into the Value Chains of Milk and Dairy Products as well as Fruits and Vegetables in the Federation of Bosnia and Herzegovina, p. 38.

The medium-size producers in Bosnia and Herzegovina (Figure 1.) oriented to the market (2-10 hectares), which usually constitute the main framework for the development of fruit and

vegetable sector, in competing countries are not present in significant numbers, but they have developed to a certain extent better participation in the value chain through contractual relationships with intermediaries. However, they primarily lack the capacities for storage, equipment and human resources. Also, there are several large farms and corporate companies with better machinery and equipment, human resources and marketing activities. These farms are supplying the supermarkets and they are exporting a part of their production.

Vegetable production in Bosnia and Herzegovina had a noticeable negative trend in terms of sown areas for all major crops. Decreased interest in growing vegetables is primarily the result of lack of subsidies at all administrative levels, as well as insufficient competitiveness of domestic production compared with imported vegetables due to low productivity, which is also one of the main problems in this sector. In recent years there has been increased interest of domestic producers for the production of vegetables indoors (greenhouses).

In contrast to the vegetable production, fruit production in Bosnia and Herzegovina is characterized by an increased number of productive trees for all kinds of fruits and planted areas under raspberries, while the area planted under strawberries has been decreased. The highest level of increase in production was recorded in the production of plums, apricots and apples, while the decrease in production was recorded in production of pears and sweet cherries.

The collection of fruits and vegetables (from small farms) is mainly performed via traders-intermediaries, while the big producers are supplying directly the processors or wholesalers as well as the supermarket chains.

The main problems in the collection process are the following:

- lack of modern storage facilities;
- lack of modern distribution centers with modern technology for processing and standardization of supplied products;
- inadequate transport due to the lack of adequate transport facilities and undeveloped (road);
- high collection costs due to the dispersed locations of small farms;
- the presence of “gray economy“ (FMPVŠ FBiH, 2014b).

There are rare exceptions that have managed to overcome major problems and to organize the supply chain in a way that meets customers' requirements in terms of the insured amounts and quality. Generally, the processing companies are not vertically integrated. In terms of supply of inputs, some of them have contractual relationships with small farmers, while in terms of retail sales, they usually do not have their own retail stores and their bargaining power against the large retail chains is generally low, especially in a situation of strong competition from neighboring countries.

In addition, the processors are faced with the following problems:

- inadequate quality and quantity of domestic inputs;
- outdated technology;
- low rate of capacity utilization;
- rising input costs;
- high rate of organic waste and increasing requirements for the protection of the natural environment;
- limited and traditional assortment - prevails 'primary' processing;

- limited marketing activities and promotions.

Although the big trade chains are dominant at the market, their participation in the trade of fruits and vegetables is still relatively low (about 10%) and it is lower than in the trade of meat and meat products, fish or milk and dairy products. The big trade chains have more important market share in the case of processed fruits and vegetables, but domestic producers are under-represented, given that dominate the imported products that represent strong competition to the producers from Bosnia and Herzegovina (FMPVŠ FBiH, 2014c).

4. THE SUPPLY CHAIN OF FRUITS AND VEGETABLES IN BOSNIA AND HERCEGOVINA

The supply chain consists of a set of institutions that are involved in the transfer of goods from point of production to point of consumption. The retail sale is the final link in the supply chain. Successful supply chain management will result in significant savings and increased customers' satisfaction. Retail sale is responsible for equalizing individual needs of customers with an amount of supplies produced by huge number of producers (Plazibat and Brajević, 2009).

The generally accepted and widespread concept of supply chain management reflects a contemporary form of logistics network, made up of suppliers, producers, warehouses, distribution centers and retail stores (Dunković, 2010).

The efficient functioning of the supply chain assumes the participation and support of many entities, which are located between producers and consumers, including state support in order to enable the products without difficulty find their way to end users. It is primarily about various transports, freight forwarding, warehousing, insurance, marketing, wholesale, retail and other specialized organizations, which through the mutual cooperation should contribute to overcome the spatial and temporal gap between producers and consumers (Malinić, Janković, 2011).

The first step in establishment of the supply chain in the agroindustry is the analysis of the existing system of trade and environment (flows of products, the level of trade, governmental policies and other circumstances), aiming at identification of the factors that are critical for the success of the supply chain. This includes the implementation of a SWOT analysis in order to identify strengths and weaknesses of potential supply chain, but also the possible threats and opportunities that exist in the environment. Based on the information resulting from the above analysis, potential participants are making a decision whether they will include themselves in the supply chain. If they decide to participate, then they define their roles, functions and relationships in the supply chain (Rockel et al, 2002).

The supply chain of fruits and vegetables has its own peculiarities. In general, the supply chain of fruit and vegetables in Bosnia and Herzegovina is relatively short and ends at the local markets or in the neighborhood. In the case of longer supply chains the producers remain fairly passive and they have not the signed agreements with traders, because they usually sell their products to intermediaries on the farm gates or at the first wholesale markets. Decision makers of the economic and trade policy measures the motive is a challenge to create such a business environment that includes small producers into the longer supply chain in the fruit and vegetable sector. These characteristics of the supply chain are typical for

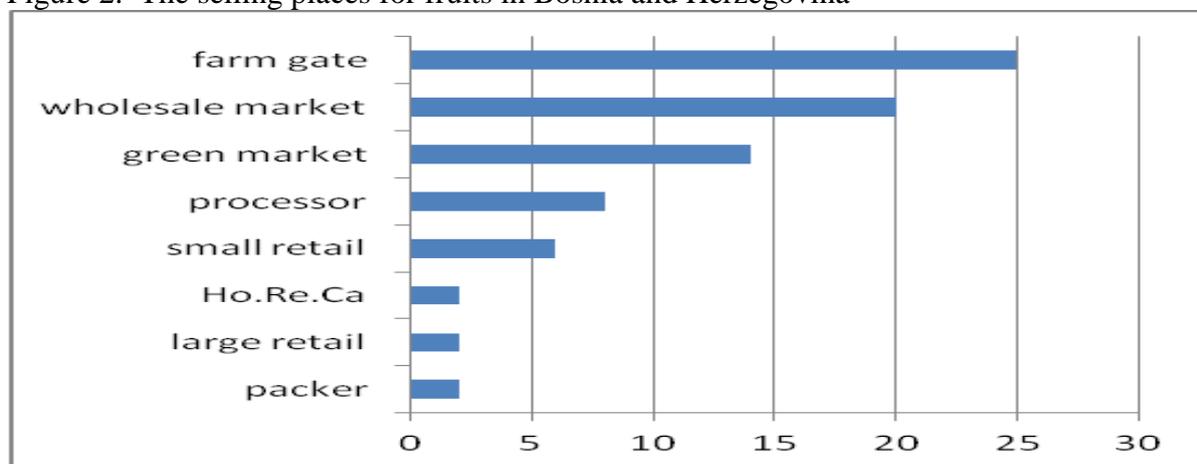
countries in transition, where the organization of the market and the legal framework are changing rapidly. The changes are reflected on the new selling places and distribution (supermarkets and specialized fruit and vegetable stores), on the establishment of a highly demanding security measures, as well as an establishment of a legal framework, modernization of agricultural and food processing firms. These transitional processes appear more spontaneous than controlled by the policy makers (FAO, 2012b).

The big problem of fruit and vegetable producers in Bosnia and Herzegovina is a low level of income. Income of the fruit and vegetable producers in Bosnia and Herzegovina is significantly lower compared to the same producers in the EU. It can also be the competitive advantage of B&H producers, since their cost of labor is lower.

There are still a number of problems in the production of fruit and vegetables in Bosnia and Herzegovina, which are reflected in the low vertical integration in the supply chain, then in insufficient storage and processing capacities, which are outdated, inadequately located and not owned by the producers themselves. The next problem is the underdeveloped process of collection, classification, storage and transport of fruits and vegetables in Bosnia and Herzegovina. One of the ways for solving the above-mentioned problems is the adoption of new knowledge and new technologies in supply chains in the fruits and vegetables sector, as well as connecting and integration with large international trade supply chains.

What should be noted is the fact that wholesale markets play a key role in the supply chain, since most supermarkets and retailers are supplied at the wholesale markets. In Figure 2 there are shown the selling places for fruits in Bosnia and Herzegovina.

Figure 2. The selling places for fruits in Bosnia and Herzegovina

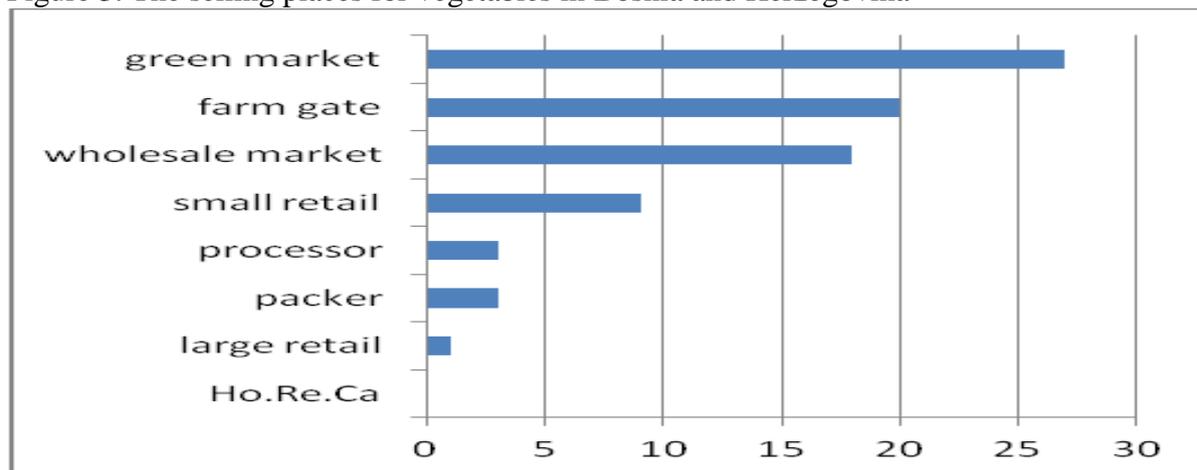


Source: FAO, Regional Office for Europe and Central Asia (2012), The Fruit and Vegetable Sector in Bosnia and Herzegovina, Preparation of IPARD Sector Analyses in Bosnia and Herzegovina, p. 42.

From Figure 2 it could be seen that the fruits is mostly sold on the farm (about 25%), followed by wholesale markets (about 20%), green markets (below 15%), then for the processing (less than 10%), while in the small retail shops it is selling just over 5%. For catering, great shops and packing facilities it is selling about 3% of fruit respectively.

On the Figure 3 there are shown selling places for vegetables in Bosnia and Herzegovina.

Figure 3. The selling places for vegetables in Bosnia and Herzegovina



Source: FAO, Regional Office for Europe and Central Asia (2012), *The Fruit and Vegetable Sector in Bosnia and Herzegovina, Preparation of IPARD Sector Analyses in Bosnia and Herzegovina*, p. 43.

Figure 3 shows that most vegetables are sold on the green markets (about 27%), followed by the farm (about 20%), the wholesale markets (about 18%), small retail shops (under 10%), then for processing (less than 5%), while in the packing facilities it is selling less than 5%. In large stores it is selling about 2%.

The supply chain of fruits and vegetables is characterized by great diversity and numerous special features. Special characteristics of the supply chain of fruits and vegetables are the changes, which are primarily determined by demand of the consumers and supermarkets. That demand is determined by perception and changing of the consumers, due to the growth of specific ways of fruit and vegetable growing. That perception and change of the consumers is reflected in:

- Increasing of orientation toward safety and quality proven through certified quality standards (Organic, Global GAP, HACCP, Halal...),
- Creation of a platform for the associations of fruit and vegetable producers and making the contracts with supermarkets they should supply,
- The advancement of technology in order to ensure adequate storage, as well as improving the packaging.

When we talk about improving the supply chain management of fruits and vegetables in B&H, it should be noted that there are two main challenges in establishing efficient supply chain. The first is how to involve small producers in the modern supply chain because they are largely uncompetitive, working and functioning of their own initiative and cannot provide the required standards. The second is how to increase the competitiveness of fruit and vegetable production for the penetration of new markets and subsequently increase the demand for fruits and vegetables (FAO, 2012c).

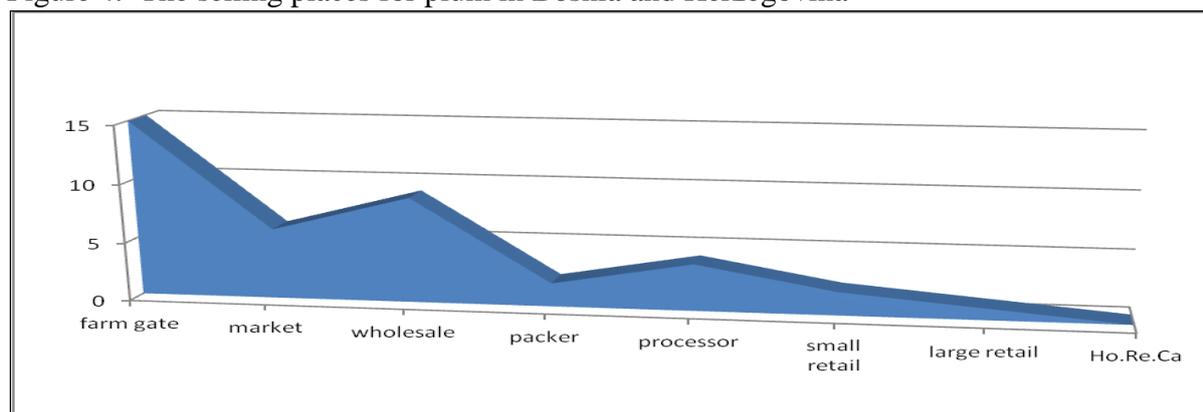
5. PRODUCTION AND SUPPLY CHAIN OF THE STONE FRUITS IN BOSNIA AND HERZEGOVINA

The stone fruits are the most dominant fruits in the overall structure of fruit production. In the production of stone fruits excels traditional production of plums. Other stone fruits are

somewhat less common in the B&H production. However, what is characteristic is the fact that the production per area unit is low, which is compensated by a large areas and number of trees. The average production of stone fruits in B&H is around 150-200 thousand tons. The yields of stone fruits are mostly constant with relatively slight variations in comparison with other groups of fruits and vegetables in particular. These data relativize a picture of the situation and do not show quite a realistic picture of the situation and trends taking place in Bosnia and Herzegovina. The real picture is the existence of duality, i.e. on the one side there are relatively large areas of extensive orchards, while on the other side it is represented an establishment of plantations on larger areas with new technologies of cultivation.

It is characteristic for Bosnia and Herzegovina that the producers give up the traditional varieties intended for the production of brandy and dried prunes. The dominant role in new orchards have new varieties intended for the market as fresh as e.g. *Čačanska ljepotica* (Cacaks Beauty), *Čačanska najbolja* (Cacaks Best), *Čačanska rana* (Cacaks Early), Hanita etc. The same trends are occurring in the production of sweat cherries as well. Although traditionally production area of sweat cherry, Herzegovina adopted new technologies that are based on the cultivation of the sweat cherries on the low-lush varieties as well as in the “close at hand” plantations. The changes in the acceptance of new technologies have as a result in recent years the significant positive trends in production and trade of stone fruits, especially plums and sweat cherries. The trend in production growth is significantly higher than the world one. Only a higher rate of growth has Serbia, while Croatia and the CEFTA 2006 member states have also the positive trend of growth, but slower than Bosnia and Herzegovina. Over 85% of produced stone fruits in Bosnia and Herzegovina are plums. In Bosnia and Herzegovina there are around 75,000 hectares under plum orchards, which accounts for about 60% of the total area under fruits. The fruit production should be one of the most intensive productions for realization of the greatest productivity per unit area, but in Bosnia and Herzegovina prevails large proportion of traditional plum orchards in the total production and for such reason the value added per hectare remains at low level in Bosnia and Herzegovina (FAO, 2012d).

Figure 4. The selling places for plum in Bosnia and Herzegovina



Source: FAO, Regional Office for Europe and Central Asia (2012), *The Fruit and Vegetable Sector in Bosnia and Herzegovina, Preparation of IPARD Sector Analyses in Bosnia and Herzegovina*, p. 100.

In the last decade there has been an upward trend in the production of plums, but primarily due to increased world demand for plum, opening borders for duty-free exports, investments into processing and drying facilities for plums. The plum producers in Bosnia and Herzegovina are obviously following the changes in the technology of breeding plums and as

a result there are appearing more and more modern plantations with table varieties. In Figure 4 there are shown the selling places where the most quantities of plums have been sold in Bosnia and Herzegovina.

In Bosnia and Herzegovina (Figure 4) leads the sale of plums on the farm (about 15%), followed by sales at the wholesale markets (less than 10%), while other selling places have less representation and are at the level of about 5% or less (shopping centers, packing facilities, processing, small retail shops, large retail shops and catering).

Other stone fruits also have an increased production trend in Bosnia and Herzegovina, but their production is less significant. The most important among the stone fruits is sweet cherry (6% share in total production of stone fruits), followed by peach and nectarine which also recorded significant growth in production. The highest growth rate of production, areas and export has recorded an apricot, but its share in total production and areas is very small. The value of exports of stone fruits has increased significantly in the last decade, mainly thanks to the export of plums. The increase in exports was recorded in the case of apricot, while the largest decline in exports sustained an export of peaches and nectarines which in spite of the fall remained the second export product among the stone fruits according to the export value. Bosnia and Herzegovina recorded a positive growth of the stone fruits' export compared to the world average, but it was significantly lower than the growth rate of exports of Serbia, Croatia or an average of the CEFTA 2006 member states group. Over 90% of exported stone fruits have been exported in fresh condition, which is more than in competing countries, Serbia (about 80%) and Croatia (about 30%). The export of plums participates in the total exports of stone fruits by over 61%, while in the second place is an export of peaches and nectarines (almost 25%). Over 30% of produced peaches have been exported, mostly to Serbia and Slovenia.

In the case of the stone fruits' import into Bosnia and Herzegovina, the dominant is import of sour cherries for the processing industry, followed by peaches, nectarines and sweet cherries, which are imported as fresh.

The increase in exports is a result of newly opened markets such as Russian and Western European (for those companies that have certificate according to the Global GAP standard) as well as several processing facilities that organize their own supply chain based on production in CEFTA 2006 member countries.

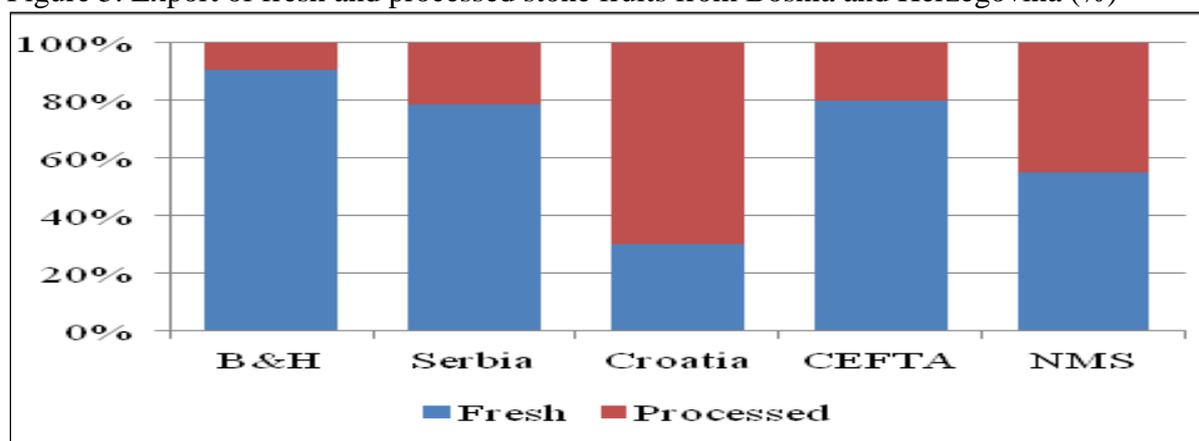
Based on the foregoing one can distinguish three characteristic supply chains in the production and trade of the stone fruits in Bosnia and Herzegovina:

- The supply chain which ends on-farm or in the local market. This is the most common supply chain, it is made by the largest number of small producers who have tens to hundreds of stone fruit trees and who primarily converted their fruits into brandy or other processed fruit products. Only one part of these products have been sold, but the majority is spent on-farm or in the local market;
- Export-oriented supply chain for fresh products. This is the supply chain which shows the highest growth. It has been driven by quality and assortment, which are mainly represented among the producers who have over one hectare plantation. The key for this supply chain is the proper maintenance of orchards and assortment that goes in the direction of achieving the highest price for early varieties. In the plum production profit can be achieved if the assortment is adapted to the requirements of the market and the period of maturation (early varieties). One of the problems encountered by this supply chain is the lack of the cooling capacities and poor geographical distribution of cooling capacities which should prepare the products for transportation;

- The third supply chain is purchasing of fruits for processing (drying, freezing, brandy making, jams' making). By an increase of domestic consumption and obtaining of preferential status for exports to EU countries, the Western Balkans and Serbia for the market of Russian Federation, there have been increased investments in processing facilities for stone fruits, especially for dried prunes and brandy, but also for other products. In this supply chain the fruits are of poor quality. However, through the processing, this supply chain generally increases the value of products made from the stone fruits (FAO, 2012e).

Figure 5 presents the export of fresh and processed stone fruits from Bosnia and Herzegovina.

Figure 5. Export of fresh and processed stone fruits from Bosnia and Herzegovina (%)



Source: FAO, Regional Office for Europe and Central Asia (2012), *The Fruit and Vegetable Sector in Bosnia and Herzegovina, Preparation of IPARD Sector Analyses in Bosnia and Herzegovina*, p. 100.

Figure 5 shows the structure of the stone fruits' export and relation of export between the fresh and processed products. For example, it has been exported to Serbia nearly 80% of the stone fruit in the fresh state and slightly more than 20% in the processed state. In Croatia it has been exported around 25% of stone fruit in the fresh state and around 75% in the processed state. Bosnia and Herzegovina exports to the CEFTA 2006 member countries about 80% of stone fruits in the fresh and about 20% in the processed state. Bosnia and Herzegovina exports in the new EU member states (NMS) slightly less than 60% of the stone fruits in the fresh state and slightly more than 40% in the processed state.

5. CONCLUSION

Bosnia and Herzegovina has a long tradition, the climatic conditions, favorable trade links and growing demand, which create sufficient preconditions that it may have favorable trends in the production and trade of fruits and vegetables.

In the fruit and vegetable production it is present dualism, which is reflected in prevalence of small farms producing for their own consumption and farms that produce for the market.

The way for an increase of the value chain could be the certification of fruit and vegetable production as the integral production. The certification of fruit and vegetable production as integral one can be achieved without major investments and significant changes in the mode

of production. The fruit and vegetable producers have to accept the changes required by the European market.

The market standards are not regulated by the state, but in practice it is developed the cooperation between primary producers and processors of fruits and vegetables, so these standards started to adopt by a very limited number of producers. These are mostly Global GAP standard (in primary production) and HACCP standard (in processing industry). There is also an increase in certification according to the HALAL standard.

The supply chain for food products is of great importance both for the overall economic sector of food products and for agriculture and rural areas. The logistics concept is decisive for the choice of new locations for food processing industry and central warehouses. Often the fresh agricultural products have been produced contractually (between the producers and processors) in a way that processors control the sowing and take over the harvest. They are useful the short routes and logistics that is aligned with the time of harvest. Likewise, e.g. the fruit and vegetable processing industry refers to process the fresh products as soon as possible in order to be as low as possible losses of valuable content and to minimize the damage from the loss of taste. Short paths between sowing (harvest) and processing are therefore useful (Segetlija, 2009).

The supply chain of fruits and vegetables is characterized by the fact that farmers mostly sell their products at the entrances to the farm, on green markets and wholesale markets, while the sales to the large retail chains is less represents and in amounts below 10%.

The current situation in Bosnia and Herzegovina is characterized by high competition at the level of primary fruit and vegetable products and low at the processing level. This state is characterized primarily due to the low interest of investors, inability to be achieved the EU standards for a large groups of products, inadequate supporting policy and the lack of institutional support.

Horizontal and vertical linking and pooling is underdeveloped, but there are a number of cooperatives and associations that are not always in the function of easier and better achievement of objectives in the fruit and vegetable production. For the functioning of the fruits and vegetables supply chain in Bosnia and Herzegovina, the vertical and horizontal connecting is important. There is an increasing need that producers have to meet the requirements and regulations of the market, which will be bigger and more complex in the future.

The measures for support the fruit and vegetable production should monitor the producers in terms of better understanding and meeting the market quality requirements, including requirements for protection of environmental, biodiversity, but also the preservation of traditional values in production.

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INNOVATIONS IN DEVELOPING COMPETITIVE ADVANTAGE IN FOOD RETAILING - THE CASE OF A POLISH NATIONAL CHAIN “*PIOTR I PAWEŁ*”

Grażyna Śmigielska

Cracow University of Economics, Poland

Magdalena Stefańska

Poznań University of Economics and Business, Poland

Abstract

The paper addresses the problems of developing sustainable competitive advantage by retailers. It is assumed that none of the theories itself describes such a process well enough so the theory of innovation and theory of achieving sustainable competitive advantage should be combined. Thus some theoretical aspects of innovations in retailing as well as positioning view of developing sustainable competitive advantage are presented.

The longitudinal case study of “Piotr i Paweł” – a Polish retail supermarket chain is developed. It shows the story of success – from one store in the 90s to the national chain of 115 stores by the end of 2014. The middle growth of about 20 stores each year in a very difficult, competitive market, which the company plans, will be possible if the clear competitive strategy, which includes innovation both in a selling model as well as in logistics, is implemented.

Key words: innovation, food retailing, competitive advantage

1. INTRODUCTION

Gaining and sustaining competitive advantage is the key challenge of modern companies. This problem is tackled by two views: Environmentally Based View and Resource Based View of gaining sustainable competitive advantage. None of them pays much attention to the innovations which are considered as a pillar of contemporary, knowledge based economy.

The aim of the paper is to show how the innovation theory supplements Environmentally Based View of gaining competitive advantage. The focus is on retail sector which is very competitive. The case of *Piotr i Paweł* – a Polish national chain is presented to show how a company differentiates its offer from competitors by introducing innovation and how it sustains the advantage by strengthening its market position. The role of innovations is stressed although in introducing some of them the company was rather follower.

2. INNOVATION IN GAINING COMPETITIVE ADVANTAGE IN RETAILING

Innovation in retailing could be defined as a change in the way retail function (being an intermediate in exchange) is fulfilled and accepted by consumers who operate the criterion “value for money” (Tallman and Blomstrom, 1962). Due to the fact that the retail innovations are mostly visible and it is not possible to prevent them by patents they are very difficult to sustain. These are expressed in the characteristics indicated by B. Kucharska (2014, p.23):

- Changes are related to different aspects of the ways of doing things and thinking about enterprise, supply chain, market, which means changing the previous routine and are introduced intentionally, consciously and often long lasting,
- Generally the solutions implemented by other enterprises (in the other sectors) are copied,
- Due to the fact that a successful solution could not be prevented by patents they are often copied; only technological and capital requirements could constitute barriers,
- They are beneficial for consumers, retail companies, retail sector and whole economy,
- Research and development are often not necessary to be innovative; knowledge, capabilities and experiences of managers, employees, suppliers, competitors could be the source of innovation,
- Innovations could be risky and expensive, especially if they are radical,
- In the retail companies there are not entire integrated systems of innovation management like in the case of industry companies.

They could be classified by different criteria (Kucharska, 2014, p. 22). Here the most important for retail companies innovations are distinguished. They included architectural innovations which are innovations in retail format, as well as organizational and marketing innovation.

The main reason for introducing innovation according to J. Schumpeter is gaining supernormal profits. The fact that the company gains supernormal profits is signaled by its growth. Growth is also the main idea stressed in the theories of gaining the competitive advantage.

In the management theory a firm is said to have competitive advantage when it is implementing value creating strategy not simultaneously being implemented by any current of potential competitors (Barney, 1991, p.103). There are two main schools of achieving sustainable competitive advantage – Environmental School and Resource Based School. M. Porter (the representative of Environmental School) stresses that the source of competitive advantage is positioning. Competitive positioning starts from the idea how the company could differentiate from competitors. The next step is finding market segment and targeting it by the right combination of marketing mix. A company should focus on serving a particular market segment and doing it in the best way if it wants to sustain the advantage.

M. Porter encloses these ideas in three principles of a successful competitive strategy (Gibson, 2011). The first one is that competitive strategy “it’s not just a matter of being better at what you do-it’s a matter of being different of what you do” (Gibson, 2011). It means that the clue is not operational efficiency but being ahead from competitor by introducing the new ideas which actually reshape and redefine the industry. Reshaping the industry means also reshaping the nature of competition. Thus at this point M. Porter is very close to Schumpeter’s idea of innovation which starts the process of creative destruction. In the view

of J. Schumpeter competition which is really important does not come from multiplying the same stores by introducing innovations – department stores, supermarkets or mail order (J. Schumpeter, 1947, p. 85). It should be noticed that when Schumpeter developed his theory there were no economics of scale. Introducing these innovation, which could be called architectural innovations started the process of creative destruction because close competitors that were not able to adjust to new conditions disappear from the market as it was e.g. in the case of small shops when mass merchandisers entered the market. The process of mass-merchandisers development in the well developed countries reshaped the retail food industry which is now dominated by them.

The second principle is that a good strategy makes a company different from competitors. It means that introducing architectural innovation in modern economy is not enough, especially in retail where it is easy to copy. Companies need marketing tools to differentiate from their competitors. It was true when department stores started to develop in the middle of the nineteenth century offering wider and dipper assortment, self- service, and advertising but also building their brands.

When J. Schumpeter developed his theory of innovation the marketing concept did not exist, but, anyway, marketing tools were applied. They were applied to overall positioning as well all elements of marketing mix – assortment (e. g scrambling merchandising), services (possibilities of returning goods), promotion (trading stamps, loss leaders), location (shopping centers), price (every day low price, EDLP). In fact they were marketing innovations and because companies introducing them were successful they were copied by competitors to finally become part of mass merchandisers' standard offer.

The only element which is impossible to copy is a unique location of the store. Contemporary retailers could also differ from competitors by offering own brand products. But what really matters for retailer success is that differentiation is valuable to consumers and they are willing to pay for it. For example, when Tesco entered Polish market it wanted to differentiate from other hypermarkets chains by having stores open 24 hours. Later it introduced case related marketing campaigns and e-commerce. It seems that for hypermarkets' clients in Poland the most important is price; Auchan which is perceived (together with Kaufland) as the cheapest hypermarket chain is growing fast¹.

The third principle is that “it's not good enough just to be different. You have got to be different in ways that involve trade-offs with other ways of being different”. If there are no trade-offs, then the competitors could easily imitate the strategy. M. Porter believes that if the company stays focusing on a small market segment, narrowing its product and distribution, and building barriers to enter it, thus could sustain the advantage. It should also monitor the changing environment to find about new possibilities to differentiate from competitors – new promising branches to enter.

¹ Auchan, Tesco, Kaufland, Carrefour i Real: który hipermarket jest najtańszy i najlepszy? [BADANIA], http://pieniadze.gazeta.pl/Gospodarka/1,122003,14224099,Auchan__Tesco__Kaufland__Carrefour_i_Real__ktory_hipermarket.html

3. COMPETITIVE STRATEGIES APPLIED BY FOOD RETAILERS

Yet if companies are willing to compete in the whole sector, according to Porter, they should choose between two competitive strategies: cost leadership and differentiation (Adcock and Sullivan, 2003, p. 410). In retail business it is difficult because it had different branches like FMCG or apparel. Cost of leadership is related to an internal operation of a retailer e.g. logistics so the company could offer a similar product to competitors at lower prices. This strategy has been dominated in retail sector for many years due to the fact that retailers have sought reducing the cost of internal operation to offer goods cheaper than competitors (Stefańska and Pilarczyk, 2013). The possibilities of reducing costs have been created by development of new technologies and introducing systems such as EDI, ECR, or CRM. Aiming at reducing costs, a trading enterprise can also:

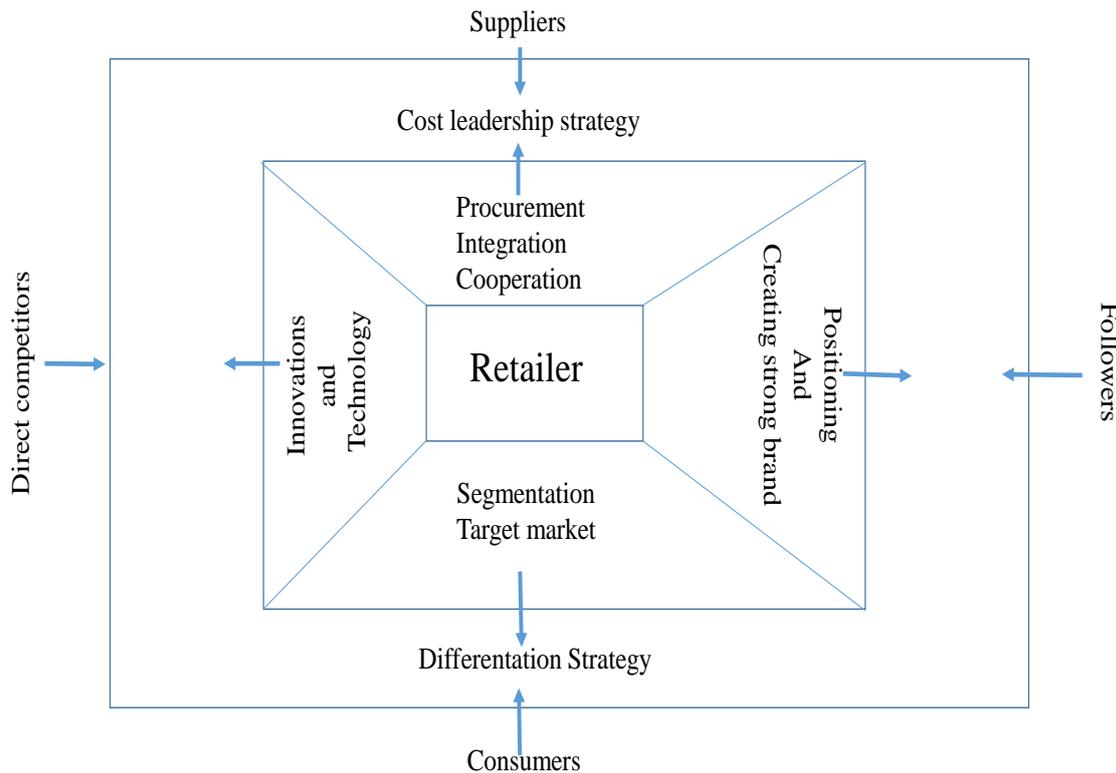
- reduce purchasing costs by negotiating lower prices;
- reduce purchasing costs by introducing in their own stores own brand goods, which would enable them to generate a higher profit margin.
- reduce costs by importing goods from the so-called cheap-labour countries
- transfer the costs related to promoting their products in a store or in leaflets to suppliers,
- reduce logistic costs by purchasing goods from local producers,
- reduce operational costs of stores by cutting down the number of employed staff and taking advantage of outsourcing.

Differentiation is related to marketing orientation. It is achieved if a company differentiates its offer from competitors via brand, quality, or additional services and the consumers want to pay the price which assures income exceeding cost (including opportunity costs). It requires from a company constantly searching for consumers and their changing preferences to find out characteristics of a product which are important to them and could become the base for the differentiation process. The effectiveness of this strategy depends on an appropriate combination of the marketing mix elements: product, distribution (in the case of retailing it could be a store location), promotion and related to them price policies. Thus marketing expenses are necessary. This strategy is suitable for specialist retailers, e.g. apparel but also in the food market for retailers offering deli.

In the eighties M. Porter stated in his works that a company could be successful only if it implements clear strategy, cost leadership or differentiation. Cost leadership excludes spending on marketing and vice versa because when a company tries to mix these two strategies it could *stuck in the middle*, and as a consequence its growth is inhibited because of not having clear market position. But in the nineties he changed his mind, stating that competitive advantage could be achieved by delivering consumers higher value than competitors, the same value at lower costs or mix of these two (Porter, 1996). The term of hybrid strategies is used to describe mixed competitive strategies (Baroto, Bin Abdullah, Wan, 2012, pp. 120-133). Nowadays business practice which takes place in the market characterized by globalization does not a priori confirms discrimination of mixing these two types of competitive advantage. What is more, differentiation from competitors (primarily by brand) is used to increase the market share and by the same token to increase the possibilities of economics of scale and scope (Campell-Hunt, 2000).

It could be summed up that in the contemporary market a successful market strategy is cost effective differentiation (see Figure1).

Figure 1. The concept of cost effective differentiation



Source: Warnaby and Woodruffe, 1995.

These two competitive strategies could be related to two sources of innovations: supply and demand. The supply driven innovation is stimulated by technological progress. These innovations are independent from consumers' needs yet often create them. Demand driven innovations started to draw the attention since the sixties in the twentieth century, when consumers became more powerful and marketing orientation started to develop. The impetus for innovation development comes from the perception of consumers' needs which are not well satisfied by the existing market offer. A market segment has to be big enough and achievable to gain supernormal profit.

4. "PIOTR I PAWEŁ" – CASE STUDY

The first store, a family owned company "Piotr i Paweł" was found in 1990 in Poznań. The first store had only 60 m², but it offered high quality products which was communicated to clients by the slogan "We develop the store in which we will like to shop". The next store was opened one year later also in Poznań. Yet it was much bigger – 300 m² so at that time finding the assortment to put on shelves was a big effort.

Wide and deep range of high quality products and excellent consumer service were the main characteristics of the first two "Piotr i Paweł" stores. In this way they differentiate their strategy from competitors. After political changes many small retail businesses offering food came to the market but they offered very similar yet not very good quality at rather low prices. Also after many years when the market was not saturated the culture of retail service was very low. Thus these two stores could be considered as retail innovation in Poland because the owner realized retail function differently from that of competitors.

During the following years, growth was continued but, also, new ways of differentiation from competitors were tasted – in 1995 a store open 24 hours was launched. The next important step in company development was the shopping center opened in 1998. The center included along with “*Piotr i Paweł*” store also 11 other retail outlets. Shopping centers started to develop in 1994 as a consequence of foreign hypermarkets chains expansion. They could be considered as an organizational innovation due to the fact that benefits came from location of many stores and other services close to each other which attracted consumers. Other organizational innovation in food retailing was franchising. This strategy was implemented mainly by the wholesalers and small shops that wanted to defend their position on the market. For “*Piotr i Paweł*” it allowed the company to develop its new geographical markets without investing own capital. Consecutive years were a period of dynamic growth by opening own stores as well as franchise outlets.

The strength of the stores still lies mainly in 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 could expect to receive top-quality service by efficient and competent personnel.

As a consequence of more than 20 years development at the end of 2014 there were 115 stores operating under the “*Piotr i Paweł*” logo. “*Piotr i Paweł*” is now national chain, competing successfully with discount, hypermarket and convenience stores all over because the strategy differentiates it. Its logo is considered as the most valuable brand in the Wielkopolska region. To the fast growth introducing the franchise in year 2000, when the first store outside Poznań in was opened in Piła outside Poznań, greatly contributed (Dobski, 2003). But if the basic strategy was not successful also the franchise could have not been possible to develop.

The beginning of the 21st century brought about changes to the company’s strategy. In 2003 the business seized the opportunities offered by a widespread use of the Internet and expanded its distribution channels. 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 thus entering a new format, i.e. convenience stores. It was the next important innovation which allowed the company to cover the food market better as well as to create an image of innovative company. It continued this strategy in 2013 by testing the new project, called mobile consumer. Consumers having smartphones could buy product in the Internet store Rusing QR codes and mobile application RockPay (Wojnowski, 2013). This project as the others were tasted in Poznań and then applied in other geographical locations. The main reason was growing competition and repositioning strategy launched in last years by discounters like Lidl or Biedronka, also by Tesco. All of them decided to develop Internet stores and upscale image to operate in the same segment of the market as “*Piotr i Paweł*”.

What are the key elements of “*Piotr i Paweł*” competitive strategy? To follow M. Porter concept – we think, that first it is positioning by better quality of product and consumer service. This positioning was all the time strengthened in development process by the assortment, location, and communication policies as well as pricing. All these elements were the response to consumers’ needs from the chosen market segment. As far as assortment is concerned there are own brand products by the chain which are positioned in the premium segment. Own brand is used for two main reasons – to increase sales and to build image (Kall, 2005, pp 167-169) Although this product innovation was earlier launched by many global

retailers, at that time private label was not popular in premium segment. The example of “*Piotr i Paweł*” shows, that also in this category the company was innovative and was used to support image building strategy. Colors of their packing make direct associations with the chains. Clients express their acceptance by doing the shopping but also on the web page of the company. In 2014 in “*Piotr i Paweł*” the assortment comprised 750 products: “Always good value” and 100 products of the brand “Bio”.

Stores are located on the shopping streets or in shopping centers which allows the company to target consumers. It also contributes to developing the image.

Positioning is communicated to consumers directly by communication policies.

“*Piotr i Paweł*” is building consumers’ trust by offering five warranties:

- Goods availability on the shelves
- Products freshness
- Fast checkout
- Nice atmosphere,
- The same prices visible to clients on shelves and on receipts.

If clients find any violation in the warranties they could claim for 15% reduction in their bill. To provide high level of consumer service the company is developing own logistics. Some warehouse area was rented from Pannatoni Europe, first close to the company headquarters in Poznań and then in the middle of Poland where the company geographically developed. Finally, in 2014 company operated three logistic centers. It not only allow effective and efficient way make deliveries but also help in negotiations with suppliers because of the contribution of warehouse operator².

Cooperation with suppliers is an important element of “*Piotr i Paweł*” strategy. It implies getting favorable prices which are then passed on to clients. The chain also cooperates with other retailers like Bać-Pol, Topaz i POLOmarket to get better prices due to economics of scale of buying³.

“*Piotr i Paweł*” keeps pace with the trends of contemporary economy by focusing on human resources management and corporate social responsibility. As far as human resources is concerned a company has knowledge of management system. It is especially important in the case of franchising. Thus, in 2015 this retailer stated the unique program of talent management called “Mój sklep” (My store). It consists of three main parts: requirement, training and workshops as well as financial support, designed for franchisors and managers of the stores.

As the part of Corporate Social Responsibility strategy, the company supports educational, social project, charity activities, sport and cultural events⁴. They also stress imposing the CSR standards relations with business partners. Important aspects are investments in environmental protection, engagement in food collection to help starving people and promoting healthy lifestyle. “*Piotr i Paweł*” also takes care of children. It has been proved by setting up the Foundation “Radość Dzieciom” (Happiness for Children), which gives help to the young & talented, sick, or just people in need. They have also created programs to support employees.

² <http://jwww.piotripawel.pl/a/127/dla-biznesu/centrum-logistyczne>

³ Piotr i Paweł zapowiada otwarcie w tym roku ok. 20 sklepów i kilkunastoprocentowy wzrost obrotów, http://www.inwestor.newseria.pl/newsy/piotr_i_pawel_zapowiada,p292976799

⁴ <http://www.piotripawel.pl/a/129/firma/odpowiedzialny-biznes>

To sum up, “*Piotr i Paweł*” is an example of a company which builds its cost effective differentiation strategy based on unique positioning. First of all, it’s hard to find an example of the company with the same model of business. We identify little similar players on the market (like Alma or Intermarche), but their strategies are not the same – both in marketing, relations with customers (different image building dimensions) and suppliers (another forms and conditions of cooperation).

Table 1. Innovations launched by “*Piotr i Paweł*”

Examples	Solutions
Competition as the driver of innovations	
Image of high quality stores	Image of supermarkets with high quality food and original products from abroad (as first in the category)
New store concept	“ <i>Piotr i Paweł</i> ” market concept is in 2015 tested in 2 cities to promote a local brand “ <i>Piotr i Paweł</i> zawsze jakość” and brand “I like it”
Knowledge management	Programs for employees
Franchise stores	Part of stores cooperate on the bases of franchise agreement
Private label in premium category	At the beginning prices of own label products had prices higher then producers’ brands, after market acceptance and growing number of private labels products prices are similar to the one of producers brands
Consumers as the driver of innovation	
New form of-convenience stores	Cooperation with Shell gas stations, which has premium image due to promoted high quality of gas
Omnichannel strategy	The Internet store as parallel to stationary stores
Updated website	With CMS administrator can make changes in all elements and their location on the page view on real time.
New logo	New style, shape, colors which recall tradition, high quality of food. (Reaction on competitors and the need to refresh logo)
TV screens	Additional channel of communication. Screens located in cash desk point and in traditional sales stands (cheese, meat, fish)
Loyalty programs	Loyalty card with discount Loyalty program “po2jamy rabat” Additional discount for “Big family card”
Self service cash desks	Innovation in stores to improve service

Source: author's own research

Among criteria of positioning of “*Piotr i Paweł*” we may add innovations – in marketing and organization, as well architectural innovations (table 1), which are driven by competitors as well as the consumers and technology development. The competitive advantage results from the fact, that innovative solutions are implemented by the chain and they suit its strategy. Yet, only some types of them let the company be the leader in innovations (for example as stores which offer foreign original products or Internet store). In some cases the company may be called innovative follower, due to the fact, that some innovations were launched with delay, when competitors had already adopted them (for example: private labels, self-service cash desks, CSR as a part of strategy). To sum up, the chain belongs to flexible organizations which adopt their strategy to new trends but keeping, at the same time, core values which are important for consumers.

To sum up, the chain is the leading company in supermarket format due to consequent strategy. “*Piotr i Paweł*” is keeping its core image values that created its uniqueness – quality both of products and services, friendly atmosphere and nice looking stores. As an innovative company - the chain created barriers of entry based on image, technology, processes and organization.

5. CONCLUSION

Innovation in retailing could be considered as the first step in the process of competitive advantage development. Its retailing innovations could take various forms. The most visible ones are architectural innovations – introducing new retail formats. They were considered by J. Schumpeter as radical innovations which change the character of competition by changing market structure.

Yet, introducing innovations also means positioning the company, differentiating it in the meaning of M. Porter. If the market structure is changed they could become the source of sustainable competitive advantage, if the entry barriers are created. Still retailing is very competitive and it is very difficult to sustain the advantage based on innovation.

The clear marketing strategy is needed. This strategy should define the market segment and continuously deliver value to the clients from this segment. Value is build by the assortment and services, location and promotion. This value should be offered to clients for a reasonable price. There are two key elements of this value which should draw the attention of the retailer, because they are very difficult to copy, and own brands and image. The second important element is continuous innovativeness. Innovations should be implemented in marketing as well as in logistics activities. Development of the retailer should be directed by its resources as well as it should take into account ongoing trends.

Finally, the cost effective differentiation strategy which involves clear positioning (differentiation), investments in developing the brand, ongoing innovativeness to be one step ahead direct competitors, and reducing the cost of deliveries by cooperation with suppliers, integration with other retailers and efficient logistic process.

A very good example of successful development is provided by the supermarket chain “*Piotr i Paweł*”. It started to develop when supermarket format targeting consumers looking for better quality of products was not popular in Poland. The clear positioning has been communicated by good quality products, high services, good location and promotion of site and strong brand. Innovation included own brand products as well as own logistics centers. The company develops by geographical expansion which also involved implementing organizational innovations like shopping centers and franchising. Finally “*Piotr i Paweł*” stores are all over Poland and company's strategy could be described as cost effective differentiation.

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CUSTOMER PERCEPTION AND ATTITUDE TOWARDS INNOVATIONS IN CROATIAN RETAIL MARKET

Ivan Kovač; Robert Bajkovec

Faculty of Economics and Business, University of Zagreb, Croatia

Abstract

Retail is a business that requires a high level of interaction with the clients that it serves. The attitudes and behavior of customers are affected and influenced by the competition, which means that the performance of retail innovation depends on the degree of usefulness that it entails for the customer, but also for the retailers. Croatian retailing is in line with European trends, trying as effectively as possible to respond to the wishes and needs of customers. Many major retailers have invested in a wide range of technologies that help them in the procurement of goods, transport, planning and organizing trade, sales and after sales. Customers use innovation for a variety of motives and reasons, but mainly due to increase efficiency of their purchase and life. The aim of this research is to find out if consumers in Croatia are aware of retailer's efforts in meeting their needs. Through this research we are trying to figure out why and how are customers using innovations as well as what are the innovations in the Croatian retail that are used the most, and which are unduly neglected.

Key words: customer perception, innovation, Croatian retail market

1. INTRODUCTION

In our previous paper, we explained the concept and appearance of innovations in Croatian retailing market as well as their achieved success. It was explored whether on Croatian retailing market exist innovations which are characteristic only for mature, emerging or less developed markets. Findings from that paper gave us incentives to explore the customers perception on innovations in Croatian retail market. In this paper, we will explain how customers in Croatia accept, use and manage innovations. Little has changed in the fundamental buyer/seller relationship in the past 200 years. Buyers want something the seller has; the seller names a price and buyers either accept and pay the price or negotiate for a lower price and better terms. However, what has changed in the buyer/seller relationship is the growing utilization of technologies (Fiorito, S.S., et al. 2010.). Many large retailers have adopted a wide range of technologies which help them with procurement of goods, transport, planning and organizing stores and sales and after-sales activities. Customers use innovations for various motives and reasons, but mostly because of raising the efficiency of their purchase and life. Although consumers are increasingly sophisticated in their technological interactions, they may avoid certain innovations if uncomfortable, even when benefits are obvious (Meuter et al., 2003).

Retailing is a business that enables the firm high level of interaction with the customers it serves. Also customers' attitudes and behaviors both influence and are influenced by actions of competing retailers, which means that retailing innovation depends on its degree of newness to both the consumers and the competitors that exist in one market. It all suggests

that retailers need to innovate in order to be able to meet the growing demands of their customers and to be successful on their current market. (Reinartz, W., et al. 2011)

In addition to this, the main goal of this paper is to explore customer motives, ways and frequency of use, as well as reasons for not using innovations in their everyday life. Through this paper we will try to give an insight into the Croatian retail market, its similarity to the markets that surround it and innovations that are used on it in order to accommodate the wishes and needs of its customers. As a conclusion, we will try to predict the future and new technologies and ways of using the innovation, which will be of benefit to both consumers and retailers in the Croatian retail market.

2. CUSTOMERS PERCEPTION

According to the Oxford dictionary, perception is the ability to see, hear, or become aware of something through the senses. When we talk about the perception of the consumer, then we think of the consumer's ability to recognize and be aware of the new product or service, and in our case innovation in the retail market. Consumer behavior in purchasing and using the innovation is strongly influenced by the perception of the consumer. Consumers are driven by a wide range of ideas and emotions. Many want the feeling of security that a favored brand can give or the sense of self-definition that comes from choosing and using products that reflect our personalities, and we crave both a feeling of connection to others and a sense of individual superiority. These are important higher order needs, and consumers are willing to reward companies that effectively address them. Finding ways to meet such demand can provide consumer companies with an unprecedented opportunity to build loyalty, differentiate their offerings, expand their market opportunities, and create ways to capture value (Dutra, A., et. al. 2004). This is the main reason why retailers invest so much in innovations.

The perception of the value of an innovation is influenced by the user's perception of how unique the innovation is positioned in relation to close substitutes. Meaning, that if there is an innovation of an improved model of mobile phone having some additional features, such an innovation would not be perceived by the user as generating greater additional value, as the value of the phone's basic functionality have already been met. Therefore, such an innovation would be considered to have a weak position in the user mind space. Advertising helps to strengthen the perception of the product while trials give the first-hand opportunity to sense and feel the product and thus change its perception (Sikdar, A., Vel, P., 2010).

Customer perception to use innovation in retailing business is influenced by their technological readiness. (Parasuraman, A., 2000) The willingness of the consumer to accept the new technologies which will help to achieve goals in their life is called the technological readiness of consumers. When consumers use the new technology they are not passive recipients of innovations. They look for new innovations, they want to experiment with them, evaluate them, to develop feelings about them, and gain experience through the application and dialogue with other consumers. Factors that influence the rate of diffusion of innovation are customer experience and perceived value of innovations. Innovations characteristics have a major impact on the rate of adoption of innovations among consumers. Parasuraman (2000) attempted to define what affects the customer to use a self-service technology and found certain characteristics that influence the adoption of new technologies. He defined the technological readiness as a tendency for people to adopt and use new technologies. This leads to the conclusion that the higher technological readiness of people allows retailers to

easier implement innovation in their business systems, giving consumers greater satisfaction when using these new technologies. In the study (Kaushik, A.K., Rahman, Z., 2015) of self-service retail technology adoption they conclude that retail firms need to formulate effective strategies to reduce consumer's resistance to adopt. They warn retailer that the customer may ignore the information regarding new technologies, refuse to adopt them or postpone adopting them as their way of resisting technological adoption. To win over this consumer resistance, practitioners and policymaker need to provide people an opportunity to use the innovation temporarily, allowing them with the opportunity to learn and discover new innovations for themselves. Consumer resistance to change is not limited only to the pre-adoption stage. They might become resistant to a new innovation even after initial adoption. Resistance might manifest during the consumption stage which follows the adoption stage. There are three consumption avoidance practices employed by customers. They might neglect the innovation when they limit their use to specific occasions. Abandon innovation, when costumers give up of their use. And distance from it, when consumers start maintaining a physical distance with an innovation to avoid using it. To counter these practices, the retailers have to use confrontative strategies and start changing customer tendencies, preferences and routines. They have to establish a connection through a user-friendly interface between customers and innovation, encouraging customers to thoroughly learn the operations, strengths and weaknesses of the new innovations.

According to innovation diffusion theory, the interest of customers in the novelties of markets depends on novelty seeking. Novelty seeking refers to customer values related to experimentalism and customer interest in trying new things and facing new stimulating challenges (Rogers, E.M., 1995). Based on this statement we can conclude that there are two types of consumers, those that are innovative and those who are conservative. Innovators are defined as those who adopt an innovation earliest. Those consumers who purchase early and do so purely on their own initiative are the true innovators in any market, and it is they who often determine an innovation's future. Other early buyers, who adopt having benefited from the advice or experience of these innovators, do deliver benefits to the provider, but clearly cannot be expected to enter the market until the independent innovators have. They are responsible for generating word-of-mouth and setting an example for more conservative later buyers. Attracting a large share of their custom is vital to gaining large market share, and a product or service needs to appeal to heavy users such as innovators to be successful in the long run (McDonald, H., et al. 2007). Conversely, when establishing a relationship with conservative customers, companies should better focus on highlighting the traditional features of their brands and products. For example, price or quality: scholars have demonstrated that conservative customers are risk-averse and prefer basing their decisions on traditional, stable, secure and widely accepted economic metrics (Pérez, A., et al. 2015). The safest strategy is to target both innovators and early adopters, but to make sure that innovators are targeted first and, perhaps, most intensively. This should be done in a manner that encourages them to engage in a dialogue with the organization and other potential consumers (McDonald, H., et al. 2007).

In the (Pereira, R.E., 2002) study of an adopter-centered approach to understanding adoption of innovations, author gave us his model of steps that every innovation adopter has to pass in order to fully understand and use the innovation. His model is called the sensemaking model, and it describes the evolution of the adopter's mental framework. Sensemaking is defined as the cyclical process of taking action, extracting information from stimuli resulting from that action, and incorporating information and stimuli from that action into the mental framework that guide further action. It starts with the knowledge stage where an individual is exposed to

an innovation and gains some understanding of how it functions. This exposure may have happened by chance, or may be the result of an effort to seed out the innovation once the individual had identified a need for it. The second stage is the persuasion stage. In that stage a favorable or unfavorable attitude toward the innovation is developed. Formation of this attitude is dependent upon the opinions of peers and their experiences. In the third stage, the individual engages in the activity that leads to a choice to adopt or reject an innovation. The sensemaking model suggests that the individual has been engaging in adoption-related or rejection-related activities all along, and will continue to do so once the decision is made. In the implementation stage the adopter puts the innovation into use. During the implementation, the adopter will extract and incorporate many more cues from his experience with the innovation. In the last stage or the confirmation stage the individual seeks reinforcement of his adoption or rejection decision. Having performed a decision-related action and possibly implementation to retrospectively assess what he has done and what he should do next, including the possibility of reversing the previous adoption/rejection decision.

3. INNOVATIONS IN RETAIL BUSINESS

According to (Johnson, D., 2001) innovation is any change in the product or services range an organization takes to the market. It presents the creation of new products and services, usually through the department of research and development. Another interpretation is that the innovation is any change in the application of a product or service that is different from its original purpose. Innovation can be any change in the market to which a product or service is applied away from the originally identified market, or any change in the way a product or service is developed and delivered away from the original operational and logistical design. A special category of innovation is that focuses upon an organizations development of its core business model away from its current or previous business model. Every successful innovation is consists of technologically feasible base, entrepreneurial skills, knowledge, desires and needs. Every innovation has to have its market value and meet specific consumer needs. In order for innovation to come to life customers have to accept it as something useful for them and their wants and needs. The modern consumer has easy access to a large number of products, but often has trouble finding products and related services which he needs the most. Companies that see new products and services as a potential source of growth are focused primarily on the improvement and extending product lines. In order to remain cost competitive retailers constantly innovate because it is the best way to reach or overtake the competition. In addition to creating a new way of improving profit margins and ensuring future revenue streams (Kuczmarski, T.D., 2003). Organizations need to realize the potential and opportunities of earning an additional profit if they decide to innovate their business. They must know that innovation will not jeopardize their key products, services or processes, on the contrary that it will only improve them. Innovation will gain them an even better position in the market, and increase the value of their company.

A very common mistake that many executives make is to refer to innovation in terms of research and development. They assess the value innovations to the number of patents. Patents are not necessarily usable and are not useful until they are converted into products, services and processes that will benefit the organization, but also our customers. Innovation is not necessarily new or high technology. Regardless of the degree of a newness or complexity, the key innovation is the degree to which it provides a solution to an important organizational issue or problem customers. This is particularly important insights for companies in emerging

markets that generally opt for the investment in expensive technology as a means of advancement (Atuahene-Gima, K., 2012)

Innovations can be defined from two sides: innovators, meaning the company that brings the innovation, and consumer's point of view. Observing the innovations, and exploring the existing innovations and their impact on consumers and the retailer from the innovators view is much more complicated and requires a lot more time, acquaintances, effort, knowledge and resources. One of the few such works is the work of "Perceptions and practices of innovation in retailing (Hristov, L., Reynolds, J., 2015). They interviewed 57 senior managers, divided into two groups. 46 of them were managers of retail, 11 were managers out of the retailing business. Both sub-groups realize the importance of innovations in retail companies, and that lack of it causes a fall in profits and lifecycle problems. They highlight the problem of defining and measuring the impact of innovation, because of its complexity. Most managers argued that the retailing business does not have the vocabulary word for "innovation", but in practice, innovation means change, refresh strategy of growth, experimentation, market testing, and the development and introduction of new products. That means that for them innovation means every new or creative thing that improves or changes the way they operate as a retailer. Retailing industry, unlike other industries, seeks to constantly improve operations, rather than quickly jumping in progress. They innovate much more cautious and always think about the needs and benefits for themselves and their customers. Their innovations are mostly non-technology and appear in the form of a better relationship with their customers or offering a different set of services and products, unlike the competition. Managers state two ways of evaluating innovations. They can measure them by financial measures consisting of: a review of sales and market share, return on investment (ROI, ROIC, ROS) and profit margins. The second way of measuring them is through non-financial measures of innovation: the number or percentage of new products or refined products in the assortment of retailers, customer measures (the rate of acquisition and customer retention, customer satisfaction, customer loyalty, frequency of purchase), measures of time (the growth rate of market share in 3, 6 or 9 months).

The other side of defining at innovations in retail is a consumer's point of view, which will be the main interest of this paper. Innovators can not affect the potential consumers if the retailer does not know what the needs of his customers are. Innovation begins with the need to innovate, and comes to life only when the innovation improves the efficiency of customers. Innovation first time buying/trying out depends on its attractiveness, and repurchase depends on its usefulness and pleasure of use. The time it takes for a consumer to accept innovation depends on several factors: individual characteristics of consumers, the needs of consumers for the product and the consumer's ability to pay. With an increase in the overall amount of data collected and available today, there has been a shift in the function of technology for buyers. In the past, technologies were predominantly functioning in an automation capacity such as speeding up routine tasks and communications. However, with the advancements made through data mining (DM), for example, information capabilities of the technology have expanded to surpass the automating capabilities. While automation is still important for buyers, information functions are used to strategize new ways to use information to increase profits and customer service and have become a necessity in doing business for buyers (Fiorito, S.S., et al. 2010). Innovations tend to produce change and disruption of routines to potential consumers as well as manufacturers and suppliers (Day, L.R., Herbig, P.A., 1992). In order to successfully implement innovation it is necessary to avoid a number of pitfalls. The first step begins before the start of investment in new and unknown market segment when you have to determine the needs of consumers. The second pitfall you want to avoid is to

make sure that technological advances bring increased benefit to customers. In the next pitfall is that innovators should not be focused on unique solutions that do not cause expected customer's reaction, they have to use common sense and judgment when reviewing the statistical analysis. It is very important to know that marketing is not the only strategy penetration of the new products on the market and to realize the possibilities and limitations of consumer research. The last thing an innovator should know is that new innovated products must have clear-cut end benefits to customer and clearly defined benefits for the consumers.

There are two main reasons why retailers are introducing innovations in their business; to improve the experience of costumers or usefulness of purchasing and because of cost reduction caused by the use of innovation. Retailer is improving the customer experience by taking all kind of actions which enhance customer perception of the value of product or service. These are the actions related to the interaction of buyers with sellers, but also images of the entire company. Nowadays it's the most important to be present on social media to help consumers to be better informed of any changes going on with their retailer. That way the retailers can easily and quickly find out the needs and desires of its customers and fulfill them in the way they expect. By using the latest communication technology and various applications created to make a special connection with consumer's retailers have an easier access to their target customers. The increase of the number of targeted customer's results with the increase in the sales of retailer's assortment which leads to higher profits, as the most important objective of the implementation of innovation in retailing business.

4. CROATIAN RETAIL MARKET

Croatian retail industry is an emerging industry with a relatively short history. Once out of Yugoslavia, Croatia was going through big social and economic changes in the early 1990s. Retailer sector fallows the process of liberalization and privatization, as lower barriers to market entry stimulate small business. Further liberalization in the late '90s stimulated the entrance of international retailing chains, which resulted with the modernization of the retail practice and big changes for the small domestic retailers. Further development of the Croatian retail runs through the familiar model taken from a number of other European countries, resulting with the disappearance of the small local retailers, and takeovers by large foreign retailers (Anić, I.D., Nušinović, M, 2003). Croatian retailing is in line with European trends, trying as effectively as possible to respond to the wishes and needs of customers. This can be demonstrated through a number of Croatian and European macroeconomic indicators confirming significant impact of trade on the economy of the EU. The share of retail trade in the Croatian GDP in 2012 amounted to 9.6 percent, while in the European Union, trade average participates in GDP with a share of 10.9 percent. In the trade industry on the territory of the EU operates 5 million subjects, and every fourth entrepreneur in the European Union is registered in the trade sector. In Croatia, more than a quarter of businesses are registered in trade, or 26.03 percent in the total number of entrepreneurs. Number of employees in trade in Croatia and the European Union points to the fact that trade is the leading or second biggest employer in the economy. Thus, in Croatia, about 15 percent of all employees work in the store. The main characteristics of the Croatian retail market are concentration, internationalization and consolidation. Market research grocer shows that the top 10 traders are holding about 72% of the market (Croatian Chamber of Economy 2015). The presence of foreign, and mostly European companies, means that the width and depth of the supply of goods on the domestic market is very similar to what is offered in the European market. The result of such offerings is adequately meeting the basic needs of consumers. Retailers are

focused on creating greater value for its customers through innovative products and services. On the other hand, the evidence that the Croatian market is still not in its mature stage and is still evolving is its unemployment rate, combined with the growth of retail prices and the cost of living. As a result, Croatian customers have low purchasing power. Domestic consumers are very price sensitive and are only looking for the lowest possible prices in the market. Although this year's projected growth of real GDP for the first time since 2008, the Croatian economy has continued to suffer from chronic economic problems. Poor management of public finances and high unemployment are the biggest problems of the economy that Croatia still has to solve. In 2015, the unemployment rate in Croatia is a high 18.8 percent, but new government policies aimed at resolving this problem by the end of this decade. Croatia will have the largest budget deficit among the EU countries this year, and is estimated at 5.6 percent of GDP. With poor management of public finances, the country is struggling with attracting external financing. Despite the bad public finances and high unemployment, the retail sector in Croatia continues to evolve successfully. Market consolidation continued in 2014, when the largest retailer Agrokor acquired the company Mercator, while Spar bought 20 stores of Diona. At the beginning of 2015, Lidl has announced that they will invest 32.7 million euros and expand its network of stores from 86 to 100 units. Slow growth in net household income and population will cause a shift in the retailer's attention to the tourist zones of Istria, Kvarner and Dalmatia. It is estimated that tourists will spend about \$ 9.8 billion or 58 percent of total household spending in 2017. Tourists will be the main reason for the development of retail on the coast. As the best example of the retailing development of the coast is the construction of Mall of Split. The center will be opened in the fall of 2015 and will be composed of 200 stores, making it one of the largest shopping centers in the country (Croatia Retail Report - Q3 2015).

On the Croatian retail market over the years and through above explained processes many foreign retailers have entered the market. Most of these companies came from highly developed markets as well as with business experience in a variety of other similar markets. They brought with them a variety of innovations, which were already used in their domestic markets. The vast majority of the challenges faced by the retailers in mature markets are related to clients. Such challenges demand retail design processes and products according to the needs and desires of consumers (Shah, D., et al., 2006). In addition, this products and services must satisfy not only the basic needs of consumers, but also the higher order needs. Konzum, and its on-line store, meets the special needs of elderly people and people with disabilities of movements, as well as the customers who buy in large quantities. Konzum as the markets biggest retailer and as well as domestic biggest retailer made its on-line shop following examples of others world's largest retailers Wal Mart and Carrefour. The other large retailers owned by the foreign companies like Lidl and Spar did not jet introduce the on-line shop in Croatia, although on their own domestic markets they offer such a service. As a result of desire of consumers for domestic eco products the Croatian market there are many small retailers that are offering eco-grown products, among them some large retailers like Konzum, Spar and DM have recognized the potential of this market. DM are offering a range of eco products with special place in the offer for Croatian organic producers, such as products Garden, ecological jams and juices Dida Boza, organic honey farm Majnarić, pumpkin seed oil Oil-mills Hladnić and ecological flour Granolio. Croatian Chamber of Economy and its national action "Buy Croatian" are promoting Croatian high-quality products. Especially products that are holders of the prestigious "Croatian" and "Croatian Quality" signs, for the purpose of raising awareness and the importance of buying such products not just to improve the overall competitiveness of the Croatian economy, but also to preserve national identity.

Despite the great economic progress of developing countries, the average consumer in such markets is generally very price-sensitive (Dawar, N., Chattopadhyay, A., (2000). Through different indicators it is clear to see that this is the situation on the Croatian retail market. Retailers in Croatia are creating private labels (brands) that are synonyms for lower prices and lower quality, offered by the same retailer that provides high quality and high prices products. The main reason for the development of private labels is the growing strength of the bargaining power of traders. Big retailers have the information of the habits of consumers, knowledge of producing within the supply chain and new market trends. Because of that they have the power to lower the price of the manufacturer or to build a relationship with the manufacturer and develop new and better products for their customers. Retailers realized that by using economy of scale they can create a wider and deeper range of private labels. Using the private labels retailers gain more competitiveness and generate higher profits. Private labels serve retailers as an additional tool for differentiation and meeting the needs of customer's lower price category products (Čirjak, Krajnović, Bosna, 2012). Consumers are seeking an integrated shopping experience across all channels and expect retailers to deliver this experience. Failure to deliver puts retailers at risk of becoming irrelevant. Social media and mobile technology are having a significant impact on retail businesses as consumers increasingly utilize these channels for shopping, coupons, online promotions, price checks, product comparisons and information (Balasescu, 2013). Customers today are faced with many possibilities of savings and coupons, which are offered through various stages of purchasing, but also by various intermediaries through several channels (Shankar, V., et al., 2011). Deal intermediaries have emerged alongside retailers and manufacturers. They range from the long established coupon-at-till providers to coupon websites, mobile location-based coupon services, group deals sites and group deals aggregators, "virtual wallets" such as Apple's Passbook where coupons, loyalty points, customer data and methods of payment coexist (Ziliani, C., Ieva, M., (2015). Companies using social media (Facebook), mobile applications, and Internet offer their customers different discounts and coupons. Besides the consumers with lower purchasing powers who see their opportunity to save some money, a lot of the shoppers are in the pre-shopping mode when browsing online for coupons. The best example of printable coupons in Croatia, are McDonald's coupons. Anybody can find and print their coupons on the official web and Facebook page, if the customer brings the coupons to their restaurants they are offered a discount for the certain menus, sandwiches, and food and beverage products. Coupons are limited only by time, and can be used repeatedly. After a brief overview and description of innovations on the Croatian retail market, in the next section of this paper we'll try to examine consumers on the Croatian retail market and find out what is their perception and level of acceptance of innovations offered by retailers.

5. RESEARCH AND RESEARCH ANALYSIS

5.1. Methodology, Sample and Data Collection

During the research of perception and awareness of consumers to retail innovation in Croatian retail market we used a questionnaire of 17 questions divided into 3 groups. The first group of questions examined the demographic situation of the respondents. With the questions about age, education, income and gender, we collected the data that helped us with solving hypothesis. The second group of questions examined the willingness of consumers to use new technology, ranging between strongly agree and strongly disagree. In the third group of questions consumers responded about which innovations they use and what are their reasons

for using or not using of innovation. With the answers to these questions, we found out what is the level of awareness of consumers about the use of retail innovation. Survey was conducted on a sample of 304 consumers of different ages, gender and education. The study included 54.3 percent of female and 45.7 percent of male persons. Most respondents, 60.9 percent completed high school, 32.9 percent of respondents have some degree of a college education while only 6.3 percent of respondents have had primary education. The majority of respondents, or 34.5 percent, were less than 30 years old, customers between 30 and 40 years were interviewed with 17.8 percent of respondents, customers between 40 and 50 years with 18.8 percent of respondents, customers between 50 and 60 years with 17.4 percent of respondents and customers over 60 years with 11.5 percent of respondents.

5.2. Hypotheses

The aim of this study was to find out if consumers in Croatia are aware of retailer's efforts in meeting their needs. Through this research, we are trying to figure out what are the innovations in the Croatian retail that are used the most, and which are unduly neglected. Croatian retailers are mainly influenced by the trends in the western world and as a result of that the innovations on the Croatian market are mainly those that are already used in all developed countries.

This paper attempts to verify several hypotheses Croatian retail market such as:

H1: consumers through innovation seek to save time and money

Consumers in developed countries are faced with the problem of lack of time, parking spaces or delivery of goods ordered over the Internet on time. In less developed countries, the problem is in the lack of adequate transportation as the reason for losing time. Ultimately innovations are a less expensive and more timely manner way to meet the requirements of customers (Reinartz, W. et al., 2011). According to a survey (Meuter, M.L., et al. 2000) of reasons for accepting and using SST (self-service technology), the results show that the main reason for using SST are cash and time savings, compared to traditional cash registers.

H2: consumers avoid using innovations due to their complexity and the risks of use

Adoption of innovation often requires a change in consumer habits and forces them to develop new habits. The consumers create a natural resistance to innovation, which is the normal consumer response. According to a survey (Laukkanen, T. et al. 2007) on the adoption of mobile banking, older customers feel more fear towards an adoption of innovation than younger ones. Since the average age of the population in Croatia is 41.7 years, it is understandable that the majority of Croatian consumers are older age. Their results showed that in addition to fear, the main reason for not using the innovation is a complexity of use. This reflects the fact that for the adoption of innovation by older consumer's retailers need to invest a lot more effort and money.

H3: Consumers with higher education more easily and quickly accept innovations in retailing
The study of embracing innovation through example of acceptance of SST-s (Kumar, A. et al. 2015), the authors claim that their results are consistent with other research, that young people with higher education and income are more innovative compared to older people with low education and income.

H4: Croatian consumers recognize most of the innovations on the market.

This hypothesis we will try to prove through questions about how many of the 10 aforementioned innovations, present on the Croatian retail market, are recognized and used by consumers on the Croatian market.

5.3. Data Analysis and Results

It is in the nature of human to be sociable, which means that they try to spend more time with their family and friends, and the way to save the lost time is through the use of innovation in retail. With this table and a graph, we will present reasons for consumer's use of innovations.

Table 1: Reasons for using the innovative technology in Croatian retail

<i>The reason for the use of innovative technology in retail</i>	<i>No</i>	<i>%</i>
<i>The process of shopping is easier and quicker</i>	199	0,65
<i>It makes me more efficient in buying and life</i>	119	0,39
<i>Their use reduces the cost of purchase</i>	99	0,33
<i>Using the latest technology is fun.</i>	40	0,13
<i>I love to use new technology.</i>	32	0,11
<i>No answer</i>	27	0,09

Results in the table show that 65 percent of respondents believe retail innovation are saving time while 39 percent believe that innovation makes them more effective in shopping and life. This means that the more time they can spend with their family and friends or engaging in their hobbies and sports. Also, it shows that the first and main reason for the use of new technologies is saving valuable time. As the third most important reason for using innovation, with 33 percent, that their use reduces costs for the purchase, which is a direct indicator of the importance of price for Croatian consumer. From all this we can conclude that the hypothesis that Croatian consumers are using innovations in retail in order to save time and money is valid.

Table 2: Cross tabulation frequencies

		I still prefer the traditional way of shopping in stores			Total
		I strongly agree	I partially agree	I strongly disagree	
I felt the fear of using new technology	I strongly agree	66	20	2	88
	I partially agree	47	55	19	121
	I strongly disagree	20	39	36	95
Total		133	114	57	304

The second hypothesis claims that consumers avoid the use of innovation due to their complexity and the risks of use. In the past, new technology in retail was predominantly functioning in an automation capacity such as speeding up routine tasks and communications. The technologies used by today's retailers, such as electronic data interchange (EDI), POS cash register, inventory management systems, customer relationship management, data mining, Internet sales, RFID technology and the like, have changed the role of customers and put on them more responsibilities and obligations. While automation is still important for buyers, information functions are used to strategize new ways to use information to increase

profits and customer service and have become a necessity in doing business for buyers (Fiorito, S.S., et al. 2010). Today's customers have to be technologically informed in order to use all the innovations that their retailers use. To prove our hypotheses that fear as a result of the use of risk is an important factor in the acceptance of innovative retail technologies, we used two questions by which we have established the state of consumers mind in the Croatian retail market.

Table 3: Chi-Square test of perceived risk as an obstacle for the acceptance of new technology

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	70,890 ^a	4	,000
Likelihood Ratio	74,376	4	,000
Linear-by-Linear Association	64,767	1	,000
N of Valid Cases	304		

a. 0 cells (0, 0%) have expected count less than 5. The minimum expected count is 16,50.

Given that the probability of the chi-square test was $p=00$ the second hypothesis may be accepted, saying perceived risk of using the retail innovation is an important predisposition for the acceptance of new technologies. There are two reasons why consumers feel unease: security and privacy. Security refers to the fear of financial loss and privacy is related to the ethical treatment of the customer's personal information (Laukkanen, T., et al., 2007). Consumers in Croatia are obviously aware of the risks of doing business with the use of the Internet and the new technology, but it seems that they do not know how to protect themselves against such risks. This situation in the minds of Croatian consumers confirms the second hypothesis about the reasons for not using the innovation in the Croatian retail market. The third hypothesis claims that consumers with higher education more easily and quickly accept innovations in retailing. In the study (Kumar, A. et al. 2015), embracing innovation through example of acceptance of SST-s, the authors argue that their results are consistent with other research, that young people with higher education and income are more innovative compared to older people with lower education and income. This hypothesis we will try to confirm with few results.

Table 4: The acceptance of innovations by respondent's qualifications

		Innovations										
		1	2	3	4	5	6	7	8	9	10	Total
PE	Count	2	1	2	1	16	13	2	3	5	1	19
	% within SS	10,50%	5,30%	10,50%	5,30%	84,20%	68,40%	10,50%	15,80%	26,30%	5,30%	
SE	Count	41	77	35	32	150	73	65	52	44	37	182
	% within SS	22,50%	42,30%	19,20%	17,60%	82,40%	40,10%	35,70%	28,60%	24,20%	20,30%	
HE	Count	46	62	21	32	80	34	48	27	35	51	100
	% within SS	46,00%	62,00%	21,00%	32,00%	80,00%	34,00%	48,00%	27,00%	35,00%	51,00%	
Total	Count	89	140	58	65	246	120	115	82	84	89	301

Percentages and totals are based on respondents.

1) On-line shops 2) Website retailers (on-line catalogs and coupons), 3) Ordering via Facebook, 4) Biodegradable bags, 5) Trademarks (K-Plus, S-budget) 6) Discounts for seniors or students on certain days or certain goods, 7) Mobile banking (payment by mobile phone M-zaba, M-PBZ), 8) Cards for contactless payment (Inspire card), 9) Ecologically produced goods, 10) Self-service cash registers
 PE (primary education) - respondents with primary school, SE (secondary education) - respondents with high school education, HE (higher education) - respondents with the degree in college education

The state of the table clearly shows that the most educated consumer know and want to use the SST-s compared to those with lower education. Lower educated consumers hesitate using SST-s because of uncertainty in their own abilities and lack of confidence. They use such services as a last resort, or when they are forced to use such cash register because of the lack of conventional. By observing the table, it is possible to notice that with the growth of user's level of education increases share of users of the innovation. For example, in the case of primary education, only 10 percent of respondents use online shopping, while the shares of the second and high education were respectively 22 percent and 46 percent. Further, for example, respondents with the highest level of education usually recognize and accept the trademarks and website retailing. Lower levels of education use website retailing in 42.3 percent of cases, and only 5.3 percent in the case of primary education. The situation with trademarks is completely different, with the secondary education using 82.4 percent, while the primary level of education using that innovation most of them all at 84.2 percent. Such a situation is not surprising because the respondents with lower education have lower incomes what means that they need to save more money. In the case of those with secondary education, the most notable difference is in the use of discount for students and seniors, where they have used this innovation up to 40.1 percent, compared to 34 percent by more educated and 68.4 percent by less educated respondents. It can be concluded that consumers with lower education use innovation which saves time and money more than those with higher education. But it is also apparent that they do not use the technologically advanced innovations in relation to the more educated respondents. Thus, the lowest degree of acceptance of innovative retail technology by highly educated was 21 percent for ordering via Facebook and 27 percent for the cards for contactless payment, compared to 24.2 and 19.2 percent by secondary educated, and 10.5 and 15.8 for the primary educated respondents. This situation in the Croatian retail confirms the third hypothesis of easier and faster adoption of innovations by the more educated consumer.

Table 5: Number of accepted retail innovations by respondent's qualifications

		Number of accepted retail innovations			Total
		0-2	3-4	5-10	
Qualifications	PE	15	3	1	19
	SE	70	71	44	185
	HE	15	39	46	100
Total		100	113	91	304

1) PE (primary education) - respondents with primary school, 2) SE (secondary education) - respondents with high school education, 3) HE (higher education) - respondents with the degree in college education

The table clearly shows that the consumers who are more educated use more innovation. We can come to such a conclusion if we look at a gap between more and less educated consumers. More educated respondent answered that 46 percent of them uses between 5-10 innovations in retail. If we compare them to those with lower education who said they use 5-10 innovation in 23.8 percent of cases we can take that as a further evidence of the third hypothesis.

Table 6: Chi-Square Test of education as an impact rate of acceptance of retail innovation

Chi-Square Tests			
	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	40,682 ^a	4	,000
Likelihood Ratio	41,264	4	,000
Linear-by-Linear Association	36,635	1	,000
N of Valid Cases	304		

a. 0 cells (0,0%) have expected count less than 5. The minimum expected count is 5,69.

Given that the probability of the chi-square test was $p = 00$ we accept the third hypothesis, which says that the level of education has an impact rate of acceptance of retail innovation and new technologies by users. Confirmation of this hypothesis brings us a conclusion that consumers in Croatia will over the years more and more use innovations, due to the fact that the percentage of the more educated Croats is rising from year to year.

The fourth hypothesis we will try to prove through a table and graph on recognizing innovations in the Croatian retail market. On the graph and table will be shown 10 innovations, which can be found on the domestic retail market. Out of these ten innovations respondents could choose all the innovations that they know that there are in our market. Retailers innovate to improve the experience of customers in the process of buying. Experiences of customers are all elements that affect customers during the process of buying. Customers are involved in various activities in choosing stores and the phases before and after the purchase, specifying their level of satisfaction and revisit (Terblanche, N.S., Boshoff, C. 2001). The experience of customers has an impact on retail sales, loyalty, profitability, communication between the consumer and the retailer, consumer satisfaction and more frequent shopping by consumers.

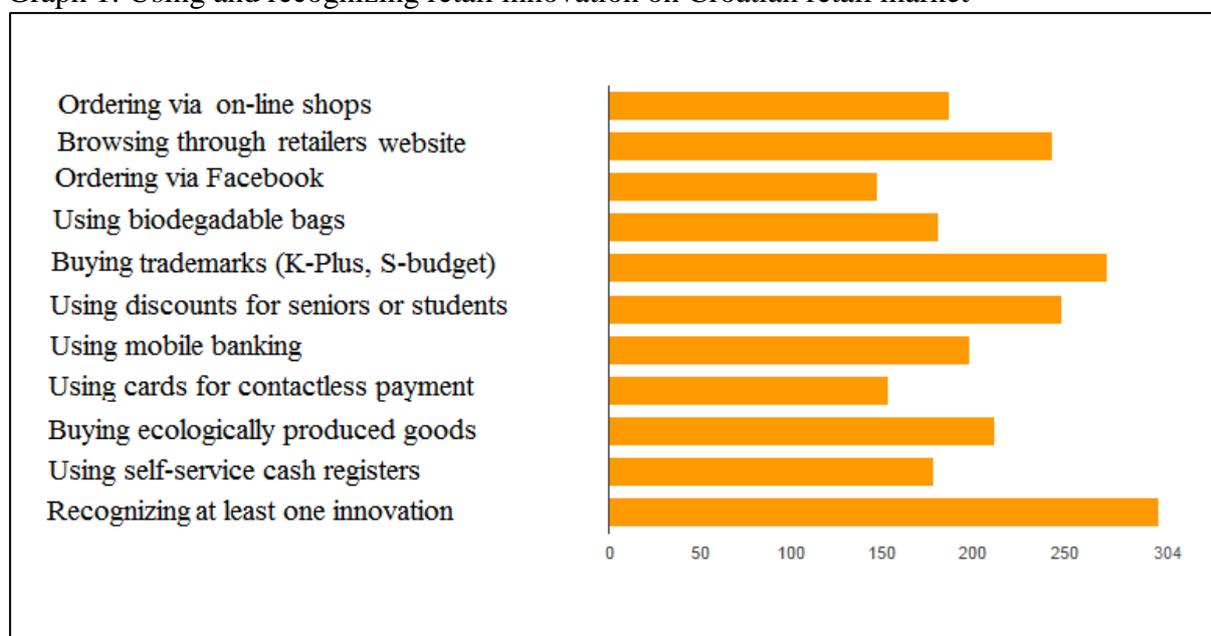
Table 7: Consumer recognition of innovations in the Croatian retail market

	Number of respondent recognizing innovation	%
<i>Trademarks (K-Plus, S-budget)</i>	274	0,90
<i>Discounts for seniors or students on certain days or certain goods</i>	249	0,82
<i>Website retailers (on-line catalogs and coupons)</i>	244	0,80
<i>Ecologically produced goods</i>	212	0,70
<i>On-line shops</i>	187	0,62
<i>Biodegradable bags</i>	181	0,60
<i>Self-service cash registers</i>	179	0,59
<i>Mobile banking (payment by mobile phone M-zaba, M-PBZ)</i>	157	0,52
<i>Cards for contactless payment (Inspire card)</i>	154	0,51
<i>Ordering via Facebook,</i>	148	0,49
<i>Not recognizing any innovation</i>	2	0,01

According to the distribution of subjects more than half of consumers recognize all these retail innovation except ordering via Facebook where as many as 156 (51%) of respondents

did not recognize the innovation. Out of all the offered innovations, most respondents said they recognize the innovation of trademark with more than 90%. After trademarks, with almost 82 percent are following discounts for seniors and students for specific goods or days. The third most recognized innovations, with 80.3 percent, are retailer's websites. On the opposite side of the table are innovations that are at least recognized: retailing via Facebook page, followed by contactless cards with 50.7 percent, SST-s with 58.9 percent, biodegradable bags with 59.5 and online shops with 61.5 percent. These results are consistent with previous research (Hristov, L., et al., 2015) of the reasons for managers to innovate, where they state that the radical transformation in the form of high-tech innovations occur much less frequently in relation to continuous and incremental growth of technologically simple innovations. The reason is that retailers prefer to adapt to the circumstances and characteristics of the market, as well as the needs of customers with simpler and easier technological solutions.

Graph 1: Using and recognizing retail innovation on Croatian retail market



According to this graph, it is indicative that the consumers in Croatia are mostly aware of the innovations on the market. Out of 304 respondents, only 1 percent, or 2 respondents stated that out of ten mentioned innovations they don't recognize any innovation. It carries a conclusion that retailers in Croatia are doing a good job in promoting its competitive advantages, and that almost any investment in innovation or product supply is certainly worth it. Such results can confirm the hypothesis of identifying the majority of innovations by consumers in the Croatian retail market.

6. CONCLUSION

With this research we have achieved the target objectives and proved that consumers in Croatia recognize innovation in the retail market and use the vast majority of these innovations. Proof of this is that of 304 respondents only 2 respondents or 1 percent said that out of the ten innovations on the Croatian market they do not recognize any innovation. As innovation recognized by 90 percent and used by almost 81 percent of respondents are trademarks. This result is not surprising if we consider the average Croatian consumers who

are in every way trying to find savings in the household budget. The research confirmed that the main reason for not using some innovations is the fear of risk and complexity of using new technologies. Thus, among the innovations that are used less is the card for contactless payments. Only 82 or 27 percent of the respondents reported using such a card, even though they are widely available for some time. It is a card that due to its properties enables faster payment of goods at cash counters, without the need of entering the user's pin or signature, which further speeds up the entire process of buying. But precisely this characteristic of the card that can be used without the safety certificates pin or signature makes it risky to use, which is why many consumers avoid it. The third hypothesis confirms the claim that consumers with higher education more easily and quickly accept the use of innovations in retail. By observing the difference between more and less educated segment of Croatian consumers, we confirm the differences in the use of innovations. We suggest that retailers had to create more services that will be held for the younger and more educated higher-income groups. Also to increase the number of users of the older population with lower income and education, it is necessary for such groups to further educate them to understand the benefits of using innovations in retail. At the end of the study we bring insight into the future use of innovations in Croatia and come to the conclusion that the increase in the percentage of educated citizens in Croatia will result with the rise of the use of innovation in the Croatian retail market, which means that more and more consumers will use innovations and that the profitability of investments in them will be much higher.

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TRADE SECTOR IN THE REPUBLIC OF SERBIA IS WAITING FOR NEW STRATEGIC DOCUMENT

Stipe Lovreta; Goran Petković

Faculty of Economics, University of Belgrade, Serbia

Abstract

Serbian market and trade policy was guided by the strategic document adopted in 2009, covering period till 2015 year. This was the reason that ministry in charge for trade sector in the Government of the Republic of Serbia raised at the beginning of 2015 the question of new strategic document. After consultations on different levels, common attitude emerged: there is no need for new strategy; however, there is strong need for the better elaboration of the existing document and even stronger need for better implementation plan. The fact is that many proposals that former document contains, still are valid. There is need to analyze existing environment and to adjust some measures or projected development goals. However, main directions of development are the same: improvement of consumer protection, improvement of market competition, innovations in distributive trade sector, etc.

So, decision was made to provide audit of existing development strategy, enriched with a) new projections of development goals and b) better implementation tool i.e. action plan. This audit was not supported with extensive empirical research, as it was the case in the process of former strategy creation. That is the limitation of the process that is finishing by the end of 2015. However, within the given budget, group of experts developed analysis and proposals that are to be presented to the government. This paper contains basic areas of analysis and key ideas that new document contains. Key proposals still are not to be presented, before the formal adoption. However, the key findings speak for themselves enough and some of them are presented here.

Key imbalances in sector are still present: domination of wholesalers, domination of small companies, domination of small shops, accompanied with new negative trends of revenue, employment and value added contraction from 2009 year. New document with action plan is revealing basic directions of market policy, oriented towards turnaround of these trends.

Key words: trade, strategy, development, competition, consumer protection

1. INTRODUCTION

Before 2000, the trade sector in Serbia developed spontaneously and without meaningful and consistent trade policy. The shift to a faster and more efficient transition has been made in the year 2000, with the political changes and with great optimism that the key tasks of the ownership transformation and modern market structure and trade development to be realized within a relatively short period of time. On these ground, the strategy and policies for the

development of trade was made in 2003. Unfortunately, despite clear commitments that were set forth in the aforementioned Strategy, economic and transitional flows were still taking place spontaneously. The ownership transformation has repeatedly changed model, as well as the policy towards market liberalization, labor issues, etc. Numerous visible and invisible particular interests were not aimed the construction of a modern market economy, and thus of modern trade. The reforms have slowed down and stalled.

A new twist in the transition process of the overall economy, including trade, took place in April 2008. The Republic of Serbia signed a Stabilization and Association Agreement with the European Union and is committed to the harmonization of legislation with the EU acquis. Priority areas of harmonization were just in the domain of trade policy, such as consumer protection, competition and state aid control, intellectual property rights, public procurement, standardization and similar. All this gave rise to the first time in history, by the Government of the Republic of Serbia in January 2009 adopted a new Trade Development Strategy of the Republic of Serbia for the next five-year period.

Several commitments graced the strategy from 2009. The areas of key adaptation in the national regulatory framework to the EU standards were clearly identified. It was anticipated to affect radical change in the philosophy of running the business on a national and global market. Traditional contract relations should fade out slowly to history, and long-term marketing relationships should become a new reality. It was pointed out that the connection and the clustering as well as building of a vertically integrated or contractually regulated system are necessity. The need to build a modern information system of trade was pointed out, as well as the need to adopt a new management model of running the development process of the trade sector with the active role of the ministry of trade.

All this has led to the conclusion that at this time a new strategy of trade development in the Republic of Serbia is not needed. What is required is the audit and amendment of the existing document. Moreover, even before the amendments and audit, it could be said that the urgent need is the development of implementation mechanisms. Why? Well, the answer is quite simple: The key commitments are still entirely valid, as they were set out in the Strategy for the development of trade in the year 2009ⁱ. The implementation was unsatisfactory.

The starting estimates were, and still are valid, that Serbia has not completed yet the process of transition toward full and functional market economy. Even then, it was indicated that the modern market and trade structure in the Republic of Serbia has been constructing too slowly. From exposed standpoints key strategic decisions were clearly defined and these are mostly oriented on the need to build a market structure which would enable more intensive and effective competition between trading partners.

The proposals set out in the Strategy of development of trade in 2009 are based on an integrated treatment of internal and external trade. In the modern market economy, trade is integral and is a firm connection between the flows at the national and international marketⁱⁱ. Thanks partly to the arguments exposed in a document from 2009, in 2013, it was established the integral Ministry of Trade that combines internal and external trade, after long period of division of these areas in Serbian administration.

Further great contribution of the previous Strategy certainly was the preparation of the institutional framework for the market and trade regulation. On the basis of the strategy, the preparation of a regulatory framework was done in a planned way. This legal framework is

largely reconciled with the solutions in the single market of the European Union. Hence, not surprisingly, favorable assessments by the authorities of the Union were given in connection with the adopted laws in the area of markets and trade. It is important to bear in mind that after the adoption of the Strategy, National Parliament adopted 10 new laws, also that have been made amendments to the 4 laws and that there are 4 important laws in preparation.

Summing up the above clearly leads to the conclusion that significant efforts were devoted to regulate the various aspects of the market and trade in the Republic of Serbia in the reporting period. At the same time, this legislative effort indicates the process of harmonization of domestic legislation and economic environment with the conditions prevailing in the European Union. It is to be pointed out, also, that a large number of changes and amendments of certain laws emerged, which in itself illustrates the intense changes in the trade sector of the economy, not only in Serbia but also in the EU market.

However, trade in the Republic of Serbia did not achieve the set development goals. Hence, it is reasonable to ask what it is not implemented and if all the proposed solutions were accepted by the scientific and the political circles? Unfortunately, the answer is basically negative. This evaluation is based on the still prevailing public opinion that trade has a supporting rather than an active role in the overall economic and social development.ⁱⁱⁱ The implication of such an attitude is the treatment of trade in incentive measures of economic development, where trading companies and entrepreneurs were fully exempted from any kind of financial incentives for business development and investments.

There are other examples of inadequate treatment of trade. Just use this opportunity to point out how easily Government approached to the freezing of trade margins in late 2011. Or, how the sector of small trading enterprises completely was left out of support measures for their development. Furthermore, the realization of management model that has been developed in the previous Strategy was completely neglected. Partly justification can be found in the exposed environment and in terms of the unexpected occurrence of the global economic crisis. However, it should be noted that the proposed management model, as designed, should provide a kind of balance between corporate and public policies in achieving sustainable trade sector development.^{iv}

As a result of numerous failures and excuses, a project to construct adequate information base for managing the development of trade and trade networks, was not implemented. Inadequate information base is a deterrent to business entities in standard business and investment plans development activities. Its deficiency interferes with the state authorities to the factual basis with spatial planning, zoning, fair collection of urban taxes, combating the gray economy and other activities of importance for adequate service to citizens and the collection of public revenue.

2. CURRENT LEVEL OF THE TRADE DEVELOPMENT IN THE REPUBLIC OF SERBIA

The trade sector of the Republic of Serbia is characterized by; on the one hand the unstoppable process of development, but on the other hand, with significant structural problems and conflicts.

A key feature of this sector is the excessive number of trading entities at all stages of marketing channels. It could be concluded, mechanically speaking, that there is a high level of competition. Later analysis will, however, show that this is not the case. On the contrary, a large number of small traders cause a lower level of modernization, hence lower level of competition. It can be considered that this is a consequence of the underdeveloped structure of the Serbian economy in which many seek opportunity in intermediary service functions and, having no other entrepreneurial ideas. General belief that everybody knows how to trade is generates a large number of unwilling "traders" providing unskilled and low-quality intermediary services.

The economic development of the Republic of Serbia in the period from 2001 to 2015, was of moderate intensity, but weakened considerably during the global financial and economic crisis. The development of the trade sector in this period was more intense than the average of the overall economy of Serbia. Gross domestic product of the Republic of Serbia in the last fifteen years had an average growth rate of 3.0% per year, while at the similar period of time; GDP of trade sector (period 2002-2014) grew at a rate of 14%. However, from 2007 to 2015, the GDP growth rate of the overall economy was slowed considerably (0.6% a year on average), while the GDP growth rate of trade was even negative (-1.2%). Crucial year in the recent history of Serbian trade was 2007, when this sector in Serbia fell into severe crisis. The lowest rates were recorded in 2009 and 2010 and amounted to -8.8% and -3.0%, respectively.^y

In addition, the contribution of the total trade to gross domestic product (GDP) of the Republic of Serbia was relatively high from 2002 to 2014, and at constant prices stood at an average of 9.0%. In 2013, trade has created EUR 3.3 billion, of the total GDP, which amounted to 34.3 billion Euros and achieved a share in constant prices by 9.4%, with the preliminary estimate for 2014 of 9.3%. Therefore, the observed delay in the development of the trade sector is even more disturbing. However, quantitative slowing development is not the problem only of this problem. Perhaps more worrying is the maintenance of its unfavorable structure.

The wholesale trade dominates in the trade GDP structure of Serbia in the period from 2002 to 2014. At constant prices, retail trade accounted for 40.9% a year on average; wholesale 51.9% and trade of motor vehicles and motorcycles 7.2%. All trade activities felt the impact of the crisis, particularly in 2009. Wholesale faced with the largest drop in GDP recorded in that year (-10.0%), but until 2013 already has recovered and reached a rate of 0.8% from the preliminary estimate for 2014 at around 2.4%. The lowest GDP growth in retail trade was in 2009 as follows: -5.7%, while in 2013 the rate was 2.0% and in 2014 is preliminarily estimated at about 4.6%. The trends of development do not allow any positive prediction that retail trade will increase its share, in comparison with the wholesale trade, in the near future.

Commercial enterprises are important employer in the economy of the Republic of Serbia. Number of employees in the store during the period from 2002 to 2014 amounted to an average of 336.6 thousand persons, or 17.6% of total employment in the Republic of Serbia. Of that number, in the retail trade were employed on average 261.0 thousand persons, and in the wholesale 75.3 thousand persons. With the intensification of the crisis, employment in trade is declining, albeit at a slower pace than in the total economy. In the period from 2002 to 2014, total employment in the trade was reduced by approximately 14.3% or by about 1.3% a year on average, while in the overall economy the percentage of reduction was around 1.6% annually, on average.

The total number of registered companies in the trade of the Republic of Serbia is decreasing. According to official statistics in 2013, there were 33,554 companies compared with 34,205 enterprises in 2007 (a reduction of 651 company, i.e. 1.9%). In the same period the total number of enterprises in the economy of Serbia increased by 13.0%. The share of trade companies in the total number of companies in Serbia, in 2013 amounted to 38.3% against 44.2% in 2007.

Naturally, the structure of the company is changed and the sector is increasingly concentrated by decreasing the number of smaller but growing number of major companies. In the reporting period from 2007 to 2013, the number of micro enterprises decreased for 511 or 1.7%.^{vi} At the same time, in the economy of Serbia, number of micro enterprises in the period from 2007 to 2013 was even increased, by 16.3%. In the reporting period, the number of small enterprises has been reduced by 102, or 3.5%, as well as medium-sized enterprises by 40, or 9.4%. On the other hand, the number of large enterprises increased by 2, or 3.1%. These developments suggest a process of concentration in the retail sector, although this process is very, very slow.

The number of entrepreneurs who are engaged in wholesale, retail trade and repair of motor vehicles, motorcycles and personal and household goods declined, confirming the conclusion about the decline of the smallest players in the trade sector. The economic crisis has affected the decline in the total number of entrepreneurs in Serbia. However, the number of entrepreneurs in trade declined even more rapidly, thus decreasing the participation of traders in the total number of entrepreneurs in Serbia.

Table 1. Number of entrepreneurs in the trade sector of the Republic of Serbia*

	Number		Chain index		Share of trade
	Total	Trade**	Total	Trade**	
2007	212.575	76.393	-	-	35,94
2008	214.819	72.703	101,06	95,17	33,84
2009	226.242	73.777	105,32	101,48	32,61
2010	228.680	64.844	101,08	87,89	28,36
2011	228.540	62.986	99,94	97,13	27,56
2012	226.132	63.404	98,95	100,66	28,04
2013	222.152	61.609	98,24	97,17	27,73

* Source of data: Entrepreneurs in Serbia. 2007-2013. Report issued by the Statistical Office of the Republic of Serbia

** Wholesale trade, retail trade and repair of motor vehicles, motorcycles and personal and household goods

Number of employees in the registered companies in the trade of Serbia is decreasing. In 2013, there were 228,733 employed persons in comparison with 230,236 persons in 2007, representing a decrease of 1,503 persons (-0.7%).

The consequence of the above-described decrease in number of entrepreneurs and number of employees in trade companies is redistribution of employees. Participation of employees in large companies increased and the share of employees in small enterprises decreased. The share of employees in micro-enterprises in 2013 amounted to 36.9%, compared to 38.6% in 2007; in small enterprises in 2013 amounted to 22.8%, compared to 23.7% in 2007; in medium-sized enterprises in 2013 amounted to 16.9%, compared to 17.9% in 2007, and the share of employees in large enterprises has increased considerably and in 2013 amounted to 23.4%, compared to 19.8% in 2007.

Employment with entrepreneurs engaged in trade fell dramatically in 2007-2013. Even when it is known that total employment by entrepreneurs in Serbia decreased, this phenomenon was more pronounced in the trade sector. The result was significant drop in the share of employees in trade entrepreneurial firms in relation to the total number of employees with entrepreneurs in Serbia.

Table 2. Employees in entrepreneurial firms in the trade sector of the Republic of Serbia *

	Number		Chain index		Share of trade
	Total	Trade**	Total	Trade**	
2007	285.728	126.846			44,39
2008	290.591	124.845	101,70	98,42	42,96
2009	259.383	104.865	89,26	84,00	40,43
2010	232.176	86.488	89,51	82,48	37,25
2011	203.520	73.190	87,66	84,62	35,96
2012	207.566	76.238	101,99	104,16	36,73
2013	203.297	74.440	97,94	97,64	36,62

* Source of data: Entrepreneurs in Serbia. 2007-2013. Report issued by the Statistical Office of the Republic of Serbia

** Wholesale trade, retail trade and repair of motor vehicles, motorcycles and personal and household goods

Value added in the reporting period decreased in small enterprises, and it grew in large commercial enterprises. In Serbia's micro trading companies, value added in 2013, expressed in current prices amounted to 518 million Euros, according to 821 million Euros in 2007. In small commercial enterprises is the added value fell from 910 million Euros in 2007 to 716 million in 2013. The value added in medium trading companies Serbia stagnated and was 538 million Euros in 2007 and 553 million in 2013. Large commercial enterprises in Serbia significantly increased added value from 509 million Euros in 2007 to 665 million in 2013, expressed in current prices.

3. TRADE SECTORS IN SERBIA AND EU

Comparing the structure of European and Serbian trade sectors in different parameters is difficult due to methodological incongruities. Some parameters are not presented in both statistical reports, while other parameters are monitored in a different way. Thus, for example, comparison of retailers in size is not methodologically harmonized. Number of micro and small enterprises in wholesale trade in the EU-27 is presented in aggregate and comparison of the share of each category separately with the situation in the Republic of Serbia is not possible. However, if we view the aggregated share of medium and large enterprises in the EU-27 (0.84%) and the Republic of Serbia (0.18% of the total number of trade enterprises and entrepreneurs), it can be reasonably argued that the participation of the smallest business entities in Serbian trade is over exaggerated.^{vii}

Number of inhabitants per shop in the EU exceeds by 50% the same parameter in the Republic of Serbia, which suggests that the stores in Serbia smaller, and consequently that their productivity is lower. In the Republic of Serbia, in 2013 this ratio rose to 82 people per store, comparing with 78.1 people per store in 2002. It is estimated that in 2014 the number of

people per store amounted to about 83.5 inhabitants. Number of inhabitants per shop in the European Union in 2010 amounted to 136.8 inhabitants. It is estimated that in 2014 the number of people per store in the EU amounted to about 138 residents.

The ratio of wholesale and retail trade in Serbia is reversed, taking into the consideration comparable indicator in the EU. By analyzing data from 2011, a wholesale company in Europe was, on average, servicing 2 retailers. That is, as seen through the number of employees in retail trade employs 3.6 million people and 1.8 million in wholesale^{viii}. However, in Serbia, one retailer was served by 3.98 wholesalers in 2010, and in 2012 again 3.65 wholesalers. The conclusion is that the extremely unfavorable structure of the marketing channels in Serbia is in place. Wholesale network is oversized and it is dominated by small, unproductive intermediaries who perform a limited number of functions (mainly simple interpersonal mediation).

Retail in Serbia is not sufficiently developed. Fragmentation of retail sector in Serbia can be seen from the inhabitants per store indicator. Although this indicator has recorded a significant growth in the five-year period in Serbia (reached 85), it is still, in 2012, significantly lower than in most EU countries (most citizens per store has Ireland, i.e. 222). Only Greece (61), Cyprus (67) and Portugal (72) have fewer people per store from Serbia. These are usually the countries with traditionally fragmented trade. Germany (188), France (208) and United Kingdom (221) have two and a half times more people per retail store than Serbia. The main reason is that in these countries the average size of the facility increased and that newer, larger retail formats are prevailing. Serbia lacks larger formats, especially hypermarkets and supermarkets, particularly in smaller urban areas.

Serbia was falling behind the EU countries when it comes to retail trade turnover per capita. On average, the turnover per capita in 2013, the EU accounted for 5,424 Euros comparing with only 1,485 Euros in Serbia. Neighboring countries Bulgaria and Romania, also have slightly higher retail sales per capita than Serbia (1,584 and 1,635 Euros, respectively).

With these parameters indicating the inadequate development of the Serbian trade, it is obvious that well structured development plan for this sector is necessary. Previous strategic document has already outlined some key development directions such as protection of competition, consumer protection, modernization and planning of retail and wholesale capacities in urban areas, but also the development of the information system monitoring the development of trade. The audit of the former strategy is expected to complement these objectives of the trade development.

4. WHAT CAN BE EXPECTED FROM THE MODERNIZATION OF THE TRADE SECTOR IN THE REPUBLIC OF SERBIA?

Trade is complex economic activity deeply involved in all aspects of economic and social structures. The development of trade, and especially the retail sector, causes direct and indirect impacts on other economic sectors. Retailers should not be considered only at the horizontal level, but through the prism of all participants in the marketing channel. From that standpoint, official documents of the European Union emphasized that "retail is a vital link between producers and final consumers," but that also "has a major impact on the environment by providing a direct connection between the development of rural and urban areas, then on the users and providers of logistics and transport services, the use of energy, the entities involved in waste management, as well as on cross-border buyers of the product."^{ix}

Participants in modern marketing channels, are creating value for customers in the processes of acquisition, consumption and disposal of products and services. The paradigm of classical exchange is increasingly giving way to the paradigms of networked relationships between trading partners in the market. Changed market conditions made obsolete exchange theories explaining marketing behavior for more than 40 years, giving way to relational concepts ^x.

Contemporary market is emerging as the complex mosaic of networked relations among trading partner's^{xi}. Rigid boundaries between manufacturers, traders and consumers are diminishing. Through these transformations, trade is increasingly becoming an active factor in the product development. At the same time, intensifying marketing activities, trade takes an active role in creating new value for customers^{xii}. New electronic intermediaries further involve consumers into the process of value creation.

The revised strategic document provides solutions leading to the development of harmonized retail and wholesale network in the entire territory of the Republic of Serbia. The institution proposed in this document should carry the responsibility for the implementation of new measures on the market. Part of the trade policy measures should be implemented at the local level, while policies, development programs and basic regulation should be created at the national level. Therefore it is essential that local authorities have a vision of trade development in their communities and to develop local trade policy in line with the general orientation.

Following clearly defined priorities, a coherent and comprehensive strategy for the retail sector in the European Union by 2020 has been developed. In order to provide effective implementation of strategic economic development guidelines, the operational action plan for the development of European retailing is elaborated in details.^{xiii}

Mentioned documents logically imply that all parts of the trade strategy development and market regulation in the Republic of Serbia for the period 2015-2020 should be fully in line with the order in the single market of the European Union. Hence it is very important that the attitude, adopted by the European Commission's, is considered as the starting point, emphasizing that all segments of retail sector development automatically have effects on other economic sectors and that interests of producers, consumers and other stakeholders also need to met.^{xiv}

Experiences from developed market economies show that no attempt to replace market with state governance and intervention successfully solved the complex mechanism of balancing the needs and demands of individual consumers. Excessive intervention may introduce deviations in the market and development of trade sector, even if it is done in good faith, for example, to ensure proper spatial planning of the trade network.

The tightening of spatial planning regulations are often used to control the negative impact of large objects in the urban fabric (traffic jams, pollution, avoiding heavy transport) and to regulate the negative impact of the destruction of smaller shops. This type of legislation is long in use and has already been discussed in previous strategy from 2009. Here, however, we should point out the negative impact of these regulations on the productivity of the retail sector. The consequence of stricter planning regulations in 1996 and 1999 caused the increase in costs of opening of large stores in the UK. A further consequence was the slower growth of large stores and turning growing companies to opening smaller retail formats. Data analysis

after 15 years of application of these regulations has shown the third result, which is a slowdown in productivity growth of the retail sector by 0.4% per year, i.e. 40% in the reporting period.^{xv}

The effect of the protective measures against large retailers and large objects adversely affect the development of competition. Tightening entry barriers for large chains and objects are often considered to be protection instrument in favor of small retailers. These instruments include entry restrictions for large objects, limitation of working time (not before and / or after some hours), number of working hours limitation, work during weekends, holidays or at night. The strongest effect of the observed measure is capping the size of objects and prescribing conditions for their opening. In Italy, the legislation enabled a national regulation (Bersani Law) with the implementation on the local level. Empirical studies have confirmed that the existence of protective measures were in correlation with: drop in retail productivity, higher operating costs, higher margins and higher retail prices, but also with a lower level of investment in information technology. The benefit of the protection measures largely go shop owners, and to a lesser extent, to the employees in trade sector, who achieved just slightly higher level of earnings.^{xvi}

On the other hand, the lack of planning regulations allows uneven development and does not provide equal access to trade services to all consumers. The opposite example could be the Czech Republic where for 10 years, since the first hypermarket opened in 1997, without any restrictions and planning guidelines 240 new facilities had been opened. Unplanned development has caused mandatory impact study of a large object on the environment to be introduced. However, couple of years later, public surveys showed divided views on the need for such studies - 48% for and 52% against.^{xvii}

The starting point for new strategic framework creation should be for the state to intervene only in cases where public interests are at stake and when they threatened the interests of consumers and equal operation of other market participants. The fact is that the crisis has certainly led to an increase in the risk of endangering the public interest. The need for indirect state intervention in the trade sector should provide:^{xviii}

- equal access to trade (retail) services to all groups of consumers;
- new wave of trade development, through innovation, without public spending;
- limiting the emergence and abuse of dominant positions in trade;
- limiting the emergence of monopolistic positions of some market participants or preventing some of them at one or more levels in marketing channels to exploit other marketing channel participants; and
- relatively harmonious and correct relations among the trading companies in the market, and particularly their behavior to consumers and producers.

In the process of the distribution and retail sector modernization, there is need to encourage the development of technological innovation through the creation of favorable business environment. In particular, progress is needed in all forms of electronic commerce. This also spread over the use of modern information technology in the area of electronic data interchange, implementation of GS1 standards, electronic inventories and transportation monitoring, the digital revolution and the use of smart phones, the introduction of RFID technology, and other Internet-based modern technologies.^{xix}

The labor legislation should be further liberalized in order to facilitate the rise of employment through very simple procedures concerning working conditions. One of the issues in Serbian legal system relates to working time that suits both the employer and the employee. The usual

requirements, when it comes to working hours in stores, are: working in the peak periods of the day (a few hours per day), occasional striking work days (hours per week), casual work in the high season (days per year), overtime, and so on. Rigid and strict labor law affects the decrease in employment, the growth of the gray economy in employment and / or increased substitution of human labor, primarily through the processes of mechanization, and more recently through the process of computerization. Using computers, as a substitute for living labor intensify along with the pressure of rigid regulations. It happens especially in large stores that are frequently monitored by various inspections. On the other side, large stores need to handle larger stocks, where computers enable better control. Rigid regulations cause particularly negative impact on the number of permanent employees, thus changing the proportion between full-time and part-time workers in favor of the latter.^{xx}

The need to encourage horizontal and vertical cooperation and integration of marketing channels participants is especially delicate task. This stems from necessity to achieve greater efficiency of distributive trade in the economy. Leaders of these activities naturally should be commercial enterprises. This process should contribute to more efficient and effective value creation and satisfaction of the consumers needs.^{xxi}. The process of further retail internationalization is also an important area. The fact is that modern retail is becoming a real global industry.^{xxii}. With that in mind, as intensive arrival of foreign retail chains into the domestic market should be encouraged, but also the expansion of the network of domestic chains in foreign markets.

In order to create a more competitive retail market, the development of private label products should be encouraged as well as monitored. Private label production should provide rationalization in the entire distribution channel ensuring high quality and price competitive products. Trading, particularly retail entities directly involve in the development of the manufacturing sector of the economy. However, this kind of relationship can initiate unfair behavior of traders to producers, which should be monitored carefully.

It is, also, necessary to re-activate the initiative to develop a proper information system designed to support key development decisions in the trade sector and the overall market. Proactive and healthy competition policy must rely on adequate market information. The following components of this system are important for a proper trade development monitoring: contribution to gross domestic product (direct, indirect and induced), report on flows of different commodities and goods across the sub-markets, spatial planning aspect of the trade network, based on geographic information system (GIS), the consumer satisfaction index and monitoring of consumer reaction to market changes, and the like.

There is obvious need to arrange systematic data collection and to connect data different, currently unconnected sources, i.e. different institutions engaged in different areas (statistics, business register, cadastre and urban planning, etc.). A significant contribution in data collection and analysis can provide adequate professional association of merchants. Data should be collected systematically and deliberately. Existing documents and databases need to be linked, instruments for data collection updated as well as the processing and disclosure procedures. Many existing instruments allow, with minor adjustments, new opportunities. For example, an important contribution to the understanding of the trade environment in the United States gives forms K-10 for annual reports submission. In Disclosures, in addition to the usual clarifying historical data, a smaller part refers to the forecasts of the future performance. In the case of retail companies the most useful remarks appeared to be on intended capital expenditure and new stores opening. Studies have shown that this plan data

can explain 83.6% of the variation in the later realistically achieved capital expenditure, as well as 95.9% of the variation in the number of truly open stores. Of course, these notes are issued in accordance with the standards of the accounting profession.^{.xxiii}

5. THE ROLE OF THE TRADE SECTOR IN THE EU STRATEGY 2020 IMPLEMENTATION

European Union institutions emphasize the importance of trade, and the retail sector in particular, for the efficient functioning of the single market and the overall economic and social development. In official documents of the European Commission there is statement that "the retail sector is an engine of growth, competitiveness and employment and to play a key role in achieving the objectives of the EU strategy until 2020". It is pointed out, too, that "the retail sector is a pillar of the European economy"^{xxiv}. The retail sector serves as a link between a multitude of different upstream and downstream markets, putting it in this way in the position of "a major player in the European economy"^{xxv}. It is also pointed out that "the retail services are essential to the modern economy of the European Union" and that they have "a key integrative role in the internal European market, as they provide consumers with the products coming from all Member States"^{xxvi}.

Document of the European Commission denotes "the retail and wholesale sectors having a fundamental role to play in stimulating growth and creating new employment within the Europe 2020 strategy. They are among the key sectors that can initiate the transition to a higher level of sustainable economics and consumption structure. Efficiency in these sectors has implications for competition, innovation, price trends and competitiveness"^{xxvii}.

European Union authorities are preoccupied with the constant search for new solutions in order to further improve the functioning of the market and to provide a clear vision of achieving a higher level of market competitiveness, higher economic growth and new employment. The innovations and improvements of marketing channels are monitored, especially in retail sector. The significant results are promoted and development of trade is encouraged, considering it to be integrative force in the market. Basic directions of activities are aimed at raising awareness about the importance of trade (even in the EU there is this need for it). It is followed by education, and creation of a favorable climate for innovation. It is important to be noticed the increased share of trade in European innovation projects, which is quite contrary to the prevailing experience in Serbia.^{xxviii}

Especially popular are various incentives for the electronic commerce development, initiating at the same time other multi-channel marketing solutions. Interesting in this regard is the indication that the e-commerce in 2011 participated with 13% in total turnover of trading companies, employing more than 10 employees. No less interesting is the fact that in the period from 2004 to 2009 increased the share of final consumers who have used the Internet to purchase goods and services from 20% to 37% in the European Union.^{xxix} This EU benchmark is very important for Serbia, having on mind that electronic commerce and multi-channel practice is only in its initial stage of development.

The European Union emphasizes the need for constant change in the content of trade policy. Regulation of competition and guiding of the trading activities development are especially dynamic areas. There is constant care about the issues of monopoly and oligopoly structures in horizontal and vertical relations of trade companies, although monopolies are not the dominant structure in the European Union retail sector. Even when the market share of large

trading companies is rather high, constant surveillance shows that it is usually in the interest of the consumer, bringing them goods and services at lower prices. Within the European Union, significant efforts were invested in balancing between the liberal and the restrictive policies of the new retail institutions development.

The liberalization of foreign trade operations represents the basis of the European economy development. In the coming years it is expected that 90% of GDP growth generates demand from other countries, with China making a third of it. "Trade is like a conveyor belt that connects Europe with the new global centers of growth and represents a unique source of increase in productivity." Even the iPhone, designed in California and manufactured in Guangdong, contains about 12% of European components. Free international trade allows the European economy high participation in other similar products. "Trade liberalization represents, in itself, a key structural reform, creating chances for innovation and stronger productivity growth."^{xxx} Of course, it is clear that the liberalization of foreign trade is less conducive to the weaker economies, while developed economies provides greater surpluses. That is why the EU policies aimed at increasing the competitiveness of the less developed economies. That is, also, why trade policy in Serbia must contain similar components, not to close the economy, but rather to strengthen market actors so to achieve successful performance on the open market.

Finally, after numerous disagreements and misunderstandings, it is essential that national consensus to be achieved within the Republic of Serbia on the necessity of a modern market economy and thus of modern trade. Still, general acceptance of the trade importance in the overall economic and social development is missing. Trade is increasingly becoming a key engine of inclusion and integration of the Serbian economy in the EU economy. In future, the role of trade in the overall economic and social development in the Republic of Serbia will strengthen, positively influencing the other participants in marketing channels.

6. CONCLUSION

The new cycle of market and trade development in the Republic of Serbia, from 2016-20, will be supported by a new strategic document, which takes into account on the one hand the inherited state and on the other, new external influencing factors. The key success factor of the new strategy will be the implementation mechanism. The previous strategy, from 2009, was based on detailed analyzes of domestic and European practices; set of proposals that have already been tested in other economies, but all that did not help much. The economic crisis, on the one hand and political hesitancy, on the other hand, affected that proposed measures were not implemented or were implemented partially and to the extent dictated by outside influences. On one side, legal framework was significantly amended and established the operation of institutions in the areas of competition and consumer protection. On the other side, even in these areas, the job is not completed and the methodology, staffing and funding issues are still standing open.

In the field of building information base for conducting market and trade policy, almost nothing has improved. On the contrary, we have witnessed some regressive acts. Consequently, there was no progress either in the development of management model for the trade policy conducting. In order to remedy some of the perceived flaws, the proposed Strategy of trade development in the Republic of Serbia contains several important components.

The first component is related to the projection of the future trade sector development. These projections were, also, presented before, but this time all of them are done with the presumption of caution. The role of projected indicators is to show the achievements of market policy and make policy makers aware whether the trading system is developing in the right direction and whether the observed anomalies are "cured".

Another important component is the action plan. It is a table that contains a set of measures, grouped in five key areas, supporting the management of trade policy: 1. Competition policy (concentration), 2. Consumer protection policy, 3. Development of small retail businesses policy, 4. Institutional solutions (legal framework) and 5 IT base. The Action Plan is presented as table containing columns which provide: 1. individual measures, 2. the institution in charge to implement this measure, 3. the amount and source of funds needed to create and implement measure, as well as 5. the time needed to implement measures. In the last (6) column describes both positive and negative impact of implementation of any measures on the economy (cost of doing business).

The third important component of a detailed analysis of the legal framework. Analysis contains also warnings on the failures in the creation of regulations already adopted. The Action Plan is intended to amend and improve the legal framework. However, the more useful part of the legal analysis in this document indicates the consequences of proposed decisions to market policy decision-makers, as well as the consequences of the decisions already taken.

What document cannot solve is the political will to implement the strategy and, of course, the environmental factors impacts that have hampered the implementation of the previously valid strategy. However, bearing in mind the essentially positive effects of applying the previous document, as well as favorable macroeconomic developments, there remains confidence that the projected goals of applying the new strategy will be largely achieved

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SYSTEMATIC SHOPPER MARKETING FOR SUSTAINABLE COMPETITIVE ADVANTAGE

Zoran Bogetić; Dragan Stojković

Faculty of Economics, University of Belgrade, Serbia

Abstract

Shopper marketing is an attractive business practice which is invested in more and more every day. This new marketing approach is a kind of an alternative to traditional marketing and it emphasizes the shopper as a natural focus of cooperation between the retailer and the supplier. The concept and understanding of sustainable competitive advantage is developed with the increasing importance of shopper marketing. The viewpoint on the necessary points of influence on shoppers is thereby widened. The paper defines the comprehensive shopping process as a structure in its own kind for action and improvement of the total shopping experience. It also clarifies how the basic model of the shopping process more or less diverts in a real situation depending on the mission and the type of purchase. In addition, the paper points out the innovation in occasion-based marketing and the appropriate shopper marketing approach. And finally, the paper indicates the perspective of future development of shopper marketing, starting from current movements in modern market practice.

Key words: shopper marketing, shopping process, partnership, occasion-based marketing

1. INTRODUCTION

The clear difference between shoppers and consumers (Shankar et al. 2011; Sorensen 2009/b), just like the difference between two sides of the same coin (Kapferer 2008, p. 145), represents an increasingly more accepted starting point for differentiation and positioning of retailers and suppliers at the point of sale. Pincott (2012) sees the observed discrepancies in the thinking and motivation of a person inside and outside the shop as the room for development of a new marketing approach known today as shopper marketing. The emphasis is on knowing the shoppers and their behavior while shopping in order to develop an offer which provides a good shopping experience in the shop by respecting the interests of both the shoppers as well as the retailers and suppliers.

The direct influence on shopping decisions is treated as more effective marketing investment, but also as the basis of the new approach to cooperation and partnership in marketing channels. An effective positioning and contact on the shelf, appropriate for the shoppers and their needs, are the core of shopper marketing and creating of a new logic of achieving sustainable business results in marketing channels.

By applying shopper marketing, the shopper is complexly treated. Whatever the viewpoint on the shopper marketing, it is directed towards improving transactions in the store and developing a stable relationships with shoppers. The repeated purchase, that is, shopper loyalty, is the best sign of shopper satisfaction and the need to repeat a good shopping

experience. The results are the improved business results and sustainable competitive advantage.

A global survey of 288 companies conducted in 2014 shows a ‘very positive image of shopper marketing’. As much as 46% of the surveyed retailers and suppliers rate the shopper marketing effects as excellent or very good, while 63% of the respondents expect an increase in shopper marketing budget (Hoyt and Swift 2014).

An increase of shopper marketing share in total marketing expenditures of retailers and suppliers is very evident. According to the research conducted in 2012–2014, shopper marketing expenditures were more than doubled in the given period; specifically, they increased from 6% to 13.5% share in total marketing expenditures. The amount and the increase of expenditures and preoccupation of retailers and suppliers with shopper marketing speak enough of the appealing effectiveness of this business approach, which is also an important motivation for increasingly more extensive and deeper researches by the theoreticians and practitioners.

Shopper marketing confirms the attitude on an ‘increasing understanding that retail is the center of gravity in marketing’ (O’Leary 2013). The traditional producers’ focus on customers as brand consumers is relativized by a new business approach to partnership in marketing channels. Namely, the importance of knowing the shoppers and their habits at the point of sale is emphasized through shopper marketing which is the traditional preoccupation of retailing companies. By working on improving of customer satisfaction and business results through a partnership relationship, the retailers and suppliers thus emphasize the natural focus on the point of sale and development of offers appropriate for the store and local demand. The customer treatment can in the process be more narrowly focused on the point of sale and store or it may be more widely observed and developed not only at the store level but also outside of it, including all the important mobile technologies and social media.

2. WIDER UNDERSTANDING OF SHOPPER MARKETING FOR INTEGRATED MARKETING APPROACH

The business concept of shopper marketing continually evolves in accordance with ever wider and more comprehensive understanding of where the shopping process begins and when it ends. Thus, Kotler in his preface to Stahlberg and Ville’s (2012) book focuses the attention on the behavior and treatment of shoppers in the store by observing shopper marketing more narrowly. Similarly to the above stated, *The Marketing Leadership Council* defines shopper marketing as designing and advertising of the store’s space with the purpose of differentiating according to the shoppers’ specific needs, which incites the purchase on the spot (Hoyt 2006). By treating shopper marketing as activities at the point of sale which induce sales, the renowned *Path to Purchase Institute* offers the following definition of the shopper marketing concept in their glossary: “Using strategic insights on shopper’s thinking in order to develop effective marketing and merchandizing activities in a specific store ambient” (Path to Purchase 2014). The most important elements of this institution’s the view on shopper marketing are the following: organizational culture that accepts the shopper insights as the key component in marketing strategy; close cooperation between retailers and producers for their mutual interests; and developing programs which, besides inciting the sales, also build value of the producer’s and the retailer’s brand.

Other authorities understand the shopper marketing more widely. Since shopper is at the center of the attention of shopper marketing, a more comprehensive view of the business concept includes all marketing activities inside and outside the store that are on the shopper's path to purchase. In this sense, *GMA & Deloitte* observes shopper marketing as applying different marketing stimuli, which have been developed based on solid knowledge of shopper behavior, and putting them in the function of building brand values and engaging and leading shoppers to buy the brand (Shopper Marketing 2007). The point is to implement IT based marketing and merchandising initiatives with the purpose of improving shopping experience, brand value, and business results for all included parties (The House of Marketing 2013). By subliming this view on shopper marketing, a well-known company *Unilever* defines the scope of the approach as 'activities that start with the first thought of purchase to the actual choice of the product' (Vranica 2008).

A more comprehensive and wider approach to shopper marketing also includes marketing activities which take place in the process of 'shopper follow-up' *after* the purchase, such as complaints or publicity, because these activities also influence subsequent shopping. According to Shankar, a renowned author in the field of shopper marketing, it is all about "planning and conducting all of the marketing activities which impact shoppers during – and after – their entire path to purchase, from the moment the purchase motive first appears until the actual purchase takes place, to consumption and repeated purchase, and to giving recommendations" (Shankar 2011, p. 3). According to him, it is necessary to understand the shoppers' motives, attitudes, and behavior, as well as alternative impacts on the shopper, in order to define shopper marketing activities.

The Consortium of Retail Commission on Shopper Marketing, a very influential association of renowned FMCG organizations, observes shopper marketing scope more widely and treats this business approach as "the marketing based on the insights into shoppers' goals which improves shopping experience and business results by means of appropriate merchandizing programs, as well as the retailers and producers' brand value" (Shopper Marketing Best Practices 2010). The key aspect of defining shopper marketing by this institution is a strategic and consistent use of knowledge based on shoppers research. The aims are programs of offers in stores, though which shopping experience, business results, and broadly understood brand value are improved. The necessary shopper insights can be retrieved from an array of sources including the following: data scanning, loyalty program data, in-store interviews, ethnographic researches, online surveys, consumer panels, and focus groups.

By subliming the views of a large number of authors and institutions on shopper marketing, besides the above stated, Silveira and Marreiros (2014) also emphasize other important aspects of shopper marketing concept. On the one hand, there is this influence on shoppers in all steps of the purchase, including the activities that are usually the responsibility of category management and trade marketing. On the other hand, a close cooperation between retailers and suppliers on shopper marketing and in-store customer service are especially important.

By understanding the differences of narrower and wider approaches to defining shopper marketing (see Table 1), we may conclude that the key guidelines of business approaches are the following: shopper insights; appropriate marketing/merchandizing activities at the point of sale; improved shopping experience; improved sales; and benefits for all the parties involved (shopper, retailer and supplier). A detailed knowledge on shoppers, appropriate activities inside and outside the store, and balanced treatment of the stakeholders' interests represent the framework of the new marketing approach at the point of sale.

Table 1. Differences in marketing approaches

<i>Dimensions</i>	Traditional marketing	Shopper marketing
Dominant focus	Brand	Shopper
Primary goal	Consumer	Shopper
Individual activity	Consumption	Shopping
The scope of perspective	Brand, category	Comprehensive view on the shopper
Domain of individual action	Primarily off-line, typically in the store	In all channels, media and by all means
Focus on product category	One category	Several categories
Sales improvement	The point of sale activities, aimed at the consumer	Activities aimed at the shopper

Source: Shankar et al. (2011)

A comprehensive shopper marketing activity represents a systematic approach to shopper in all steps of the shopping process. The new business strategy thus overcomes the limitations of traditional marketing which emphasizes the pushing and attracting strategies in the function of shopper awareness and business results. Instead of narrowly focusing on brand and consumer, shopper marketing comprehensively understands the shopper and his/her shopping experience and follows the shopper in all channels by means of all the available means and media.

The capacity of communication with shoppers based on technology draws a special attention in shopper marketing activities. This is about communication with shoppers inside and outside the store, at any time and at any place, which significantly impacts the profiling of sales promotion activity (Gilbride et al. 2013). It is observed that shoppers are thus exposed to an increasing number of marketing stimuli before they make a purchase decision at the point of sale. Thereby the distinction between traditional marketing and new marketing model acquires a new dimension (see Table 2).

Table 2. Marketing's digital shift

Traditional marketing	New marketing model
Anchored around awareness and pushing messages to shoppers	Anchored around branded experiences pre- and post-purchase
Focus on paid ATL advertising campaigns	Focused on "below the line" owned, shared, and earned media
Fixed, turn on/turn-off, long lead times	Dynamic, always on, interactive
Strict control of marketing messages	Focus on provocative content, social community and commerce
Siloed approach to consumer and shopper	More integrated brand planning and programs of

marketing	shopper activation
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Source: Egol et al. (2013)

As shown in Table 2, instead of traditional focus on ATL (above the line) campaigns and the consumer, the new marketing model represents a comprehensive, interactive activity focused on the point of sale. The emphasis is on BTL (below the line) media, with a dynamic and provocative communication with the shoppers in the function of active relationship and sale. The IT innovations and options represent a fundamental assumption for thus understood new shopper focused marketing model.

The development of mobile telephony and its application has especially impacted the shopper marketing activities outside the store (Shankar and Balasubramanian 2009; Shankar et al. 2010/b). It is notable that the relationship between shoppers and retailers is increasingly more based on information whereby the Internet options have contributed a great deal (Verhoef et al. 2007). With new technologies, the possibilities of seeing different offers and choosing between alternatives are becoming an important factor of change in marketing channels relationships and also a factor of necessity to develop new approaches to increasingly informed shoppers. This is also the cause of ever wider and more important activities in the sphere of informing, inciting, follow-up, and further communication with shoppers.

Shopper marketing imposes a balanced monitoring of shoppers inside and outside the store and using the available room to impact the shopper at key points of the entire shopping process (Wyner 2011). Shopper marketing activity should start long before the shopper enters the store (Shankar et al. 2011). This implies that the in-store offer should be coordinated with the messages outside the store in order for the messages to be consistent and convincing (Pincott 2012). Shoppers continually compare what is promised and what is given to them (Interbrand 2015), thus imposing balance as the key principle of shopper marketing. Therefore we conclude that quality market share implies an integrated marketing approach (Fam et al. 2011).

3. STEPS IN SHOPPING PROCESS FOR SHOPPER MARKETING ACTION PLAN

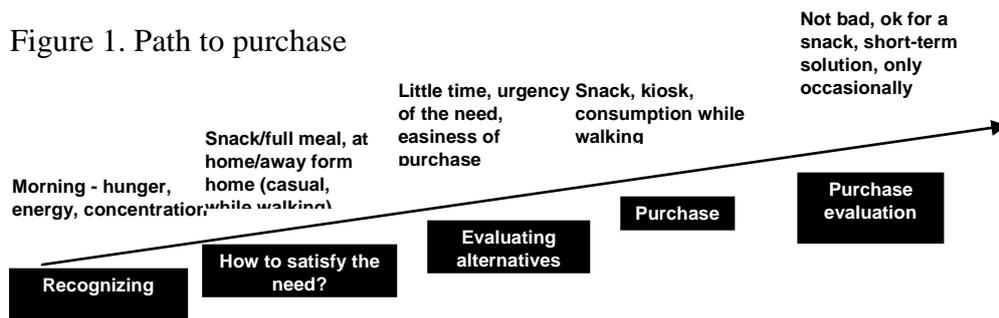
It is up to the retailers and suppliers dedicated to shopper marketing activities to fully understand the shopping patterns of store shoppers. The task to recognize shopping missions of the target shopper groups and the way they can be actualized (place, time, expectations, stimuli) is thereby imposed on the business partners in shopper marketing.

Understanding the nature of needs and purchase decision-making within the target shopper segment becomes the preoccupation of retailers and supplier that apply shopper marketing. For example, the following questions should be answered: In which way do bank employees satisfy the need for having breakfast during workdays when they have only a 30-minute break or when they have no break? What are the key purchase triggers in these two situations? What kind of product and service is optimal for the bank employees in the given situations? What are the traditional aspects and what are the possible innovative aspects of a breakfast offer? What should the partnership plan for activating shoppers by retailers and suppliers be like in these two different situations (What's for 2015)?

Purchase initiating always starts with a need. From awaking of the need to satisfying it, the shopper undertakes a series of interconnected steps and activities. The same applies to

breakfast alternatives, available time, adequate place for purchase and consumption, money available, etc.(see Figure 1).

Figure 1. Path to purchase



The steps we recognize in shoppers thinking which conditionally follow one another are termed *path to purchase* (Deherder and Blatt 2011, p. 212; Crawford 2012, pp. 37–39 and 44–45; Karolefski 2012, pp. 88–90 and 141–154). It is the process of decision- which includes the following steps: recognizing the need, gathering information on how to satisfy the need, evaluating available alternatives, purchase, and, finally, purchase evaluation (word-of-mouth, social networks, etc.). Path to purchase is a complex process of thinking in which various information channels and available possibilities for purchase in a given situation are intertwined. The analysis of the process which is actually taking place in the path to purchase is actually a ‘discovering’ of options to impact the shoppers; hence, the process of purchase and its variables are explored in detail in shopper marketing.

Shopper marketing structurally monitors and exploits the options in the entire purchase process. Hence the focus on purchase process steps (see Figure 2), where tools for influencing shoppers are also created. Shopper is monitored from the moment his/her desire first occurs all the way up to the moment of purchase, product use, and communication of his/her impressions (Shankar et al. 2011). Loyalty is, after all, the best measure of quality shopping marketing and of a good shopping experience.

Figure 2. A complete shopping process from the shopper’s viewpoint



Source: Shankar (2011)

The shopping process is the object of a deeper understanding and analysis, and it is observed from the shopper's viewpoint, structured in eight steps, starting from initial motivation, to final evaluation of satisfaction with the purchase and commenting on the shopping experience. When observed in more detail, the analysis includes the following steps of shopping process: motivation for purchase, search for solution, evaluation of alternatives (e.g. brands), initial decision, selection of shopping channel and store, searching the store, final decision, purchase of brand or product, and evaluation of repeated purchase and possible recommendation.

The analysis of the steps and behavior in the shopping process implies understanding of external and internal context of shopping. Due to this shopper marketing makes a distinction between the following: characteristics and experience of the shopper (e.g. demographic characteristics); stimuli outside the store (e.g. advertising, messaging through mobile devices, and word-of-mouth communication); and in-store stimuli (e.g. store position and shelf position, hygiene, and sales staff qualifications).

From the viewpoint of flow and variables, the shopping process is significantly different with respect to an unplanned purchase when compared to the planned purchase. Shopper marketing adjusts to this by developing different solutions for sales promotion which depend on the nature and guidelines of the shopping process.

Both early and recent video-technology based research of shopping behavior indicate that a significant part of purchase decisions is made (Bucklin and Lattin 1991; Hui et al. 2013) or changed at the point of sale (Synha and Uniyal 2005; Clark 2008). The critical factor of unplanned purchases is the stimuli at the point of sale, including the store ambient (Mohan et al. 2013) and effective in-store communication (Neff 2008). For example, attracting shoppers into store by means of advertising low prices or temporary discounts in the function of sales promotion impacts the increase in probability of unplanned purchase (Wyner 2011). On the other hand, the decrease in probability of unplanned purchase is related to the following: using shopping-list, more frequent shopping, targeted movement of shoppers, and paying in cash (Inman et al. 2009).

As a rule, unplanned shopping is related to shopping "additions", which makes a larger part of total purchase (Nordfalt 2009). Thus, *Deloitte* indicates that the selection between brands is made in the store itself in 70% of the cases (Deloitte Research 2007). However, the probability of an unplanned shopping can vary significantly due to contextual factors (Inman et al. 2009), and this is an important room for influencing the shopper at the point of sale. Thus understood contextual factors of a retail store represent a potentially active set of tools for sales inciting and promoting.

It should be noted that a large portion of unplanned shopping occurs only at the level of the selected brand, incited by suggestive sales environment. Thence the view that in-store sales promotion activities often serve to incite the shopping of unplanned articles within the framework of the planned total spending (Stilley et al. 2010/a; Stilley et al. 2010/b). The sales promotion activities conducted in this way do not significantly contribute to increase of the total business result of the store.

Besides planned and unplanned purchases, there are numerous other classifications of shopping processes, including different shopper behavior factors. By crossing the time and

money variables in a suitable matrix, a functional classification of purchase types is obtained (see Figure 3).

Figure 3. *Time-money matrix* and types of shopping

	Save money	Spend money
Save time	Discount shopping	Shopping convenience
Spend time	Comparative shopping	Shopping as pleasure

The above matrix points to the conclusion that completely different services should occasionally be provided for the shoppers in different shopping situations, such as the one when a shopper intends to make a planned purchase for the household and wants to save every penny, or when a shopper is seeking to buy a gift for the loved one when, as a rule, money is not a problem. Profiling of retail formats finds its starting point in directing the services in accordance with shopping modalities and profile of expected shoppers. At the same time, this is also used to determine what makes the key impact on shoppers' attitudes and behavior, that is, what are the *triggers* for purchase in given situations (Shankar et al. 2011).

For example, in a situation of planned purchase in the function of supplementing home supplies, the key *trigger* for purchase is price, in addition to which the shopper also expects to feel comfortable in the store which offers a wide product assortment. When the need is urgent, it is expected that shopping process takes as little time as possible, and the price is relativized as the key factor of offer.

According to Sansolo (2012), shopper behavior is often complex, illogical, and contradictory, and it is determined by the following four key triggers (Shankar et al. 2011): current worries, money, family, and personal issues. Thus, for example, the question of time is becoming more and more important, since most adults work all day and in the evening they are trying to complete various household chores. The constant family issue is the question of income and expenditures, as well as the question of division and actualization of the role as consumer and shopper. At the end of the day, the only important thing is what one does for himself.

All the stated and other purchase triggers should be considered and exploited in a balanced manner and in a specific context, taking into account that situations often unpredictably change (Sansolo 2012). After all, the goal is to clarify all the important facts about the store shoppers in order to develop an appropriate offer and productive activity of continuous sales incitement (Pincott 2012).

4. SHOPPER MARKETING FOR DIFFERENT SALES OCCASIONS

Many researchers and managers believe that behavioral variables (circumstances, benefits, status, use level, loyalty, readiness, and attitude) are the best starting point in defining the

market segments to focus on, that is, the market segments which sales and activities should be adjusted to (Kotler et al. 2007, p. 203, 208, 489). It is precisely this shopper marketing affirmation plan that leads to development of marketing theory and practice, starting from traditional segmented approach, to newer valorization of life situations or circumstances. The focus on group or individual is enriched by understanding that consuming and shopping situations define business opportunities, and thereby marketing tools and activities as well.

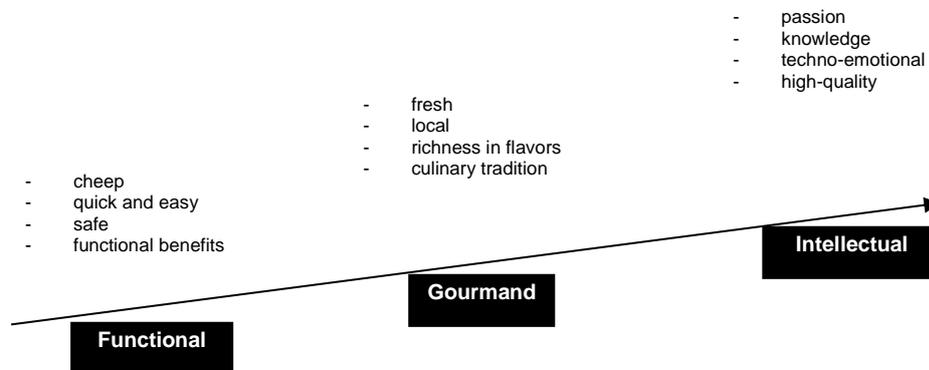
Starting with the above said, from shopper marketing perspective, there are two key determinants of shopper behavior: consumption opportunity and shopping opportunity. Understanding of when and why consumers use certain product and how they buy it makes the assumption of service and sales results improvement (George 2012). Consumption opportunities determine how a product is purchased. It is a particular shopping modality, at a particular place, in the function of satisfying some need. Due to its simplicity and operability, this practical view on shopper behavior as predetermined is primarily practical in importance. Inman, Shankar and Ferraro share a wider theoretical view on the approach to selection of place for shopping, which is founded in the context of geodemographic variables, experience, and associations characteristic to shoppers (Inman et al. 2004).

A business concept of occasion-based marketing treats the subject matter and opportunities that occur in consuming and shopping situations. It is a specific aspect of shopper marketing, such as cultural context of the need for food and food consumption (business or family breakfast, lunch or dinner; private or business open- or closed-type parties; snack consumed while walking; daily or weekly purchases; etc.). Consuming products in various situations determines shopping modalities. Thus, for example, some authors differ more than a 100 opportunities for eating and drinking (The Argument 2015), which leads to the conclusion on numerous different shopper marketing situations in which the right offer, at the right place and for the right buyer should be defined.

Traditional marketing has established consumer researches based on segmentation, while innovative approach to occasion-based marketing emphasizes contextual moments and research of shoppers in different situations (Occasion-based 2015). Therefore, this new marketing approach overcomes the limitations of traditional marketing with respect to new affirmation of the importance of the point of sale through adding a wider field of consumeristic food culture as an important determinant in strategy and tactics of shopper marketing. These are two undoubtedly appealing approaches to formulating of a business strategy which can also be used complementary. Thence the shopper segmentation in accordance with situations and related needs, product purchase or product use (Kotler 2002, p. 267).

Occasion-based marketing implies differentiating of three important moments (see Figure 4): *food culture*, *consumption opportunities* and *shopping behavior*. When we speak of *food culture*, this primarily refers to emotional engagement of consumers in a situation appropriate for consuming products. Thus, for example, *gourmands* see food as an inspiration and basis for enjoying, while *workaholics* see food as the necessary *fuel* they need so they could work. Through these two opposite images, we illustrate the situations of enjoying food and of routine satisfying of biological needs. The described groups of consumers and shoppers, therefore, experience different occasions and engagement concerning food, which especially refers to their interests, efforts they put in, means, and personal experience, which are all the selected moments of possible marketing impact.

Figure 4. Needs in the context of food culture – rising sophistication of opportunities



Source: Intro to occasion (2009)

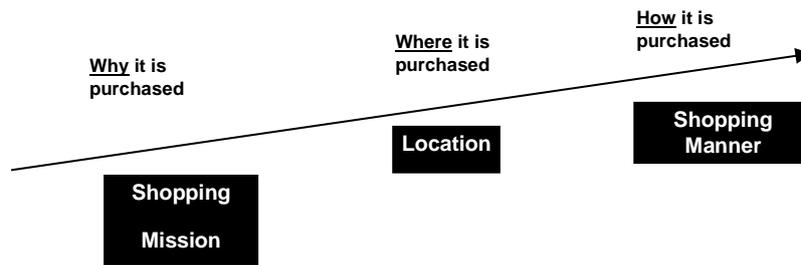
Food culture can, therefore, be differentiated based on the level of needs, specifically, on functional, gourmand, and intellectual levels. This is the question of different starting points of shopper marketing, so the level of their sophistication significantly varies. Due to the differences in food cultures and the related needs, shoppers choose and adjust their shopping behavior. For example, the task of shopper marketing with respect to shoppers' intellectual experience of food is to offer an intellectual service, with a dimension of expertise concerning food and product quality, in a modern environment which gives rise to the feeling of being treated personally and with dedication.

In the shopper marketing context, it is necessary to clarify the key needs related to occasions. The established producers are very carefully dedicated to satisfying the defined needs with their products designed for specific occasions. The more needs related to a brand, the greater its competitive advantage, that is, the demand and sustainability of business are more certain.

Occasion determines a brand or a product which will be favored. Thence the conclusion that a sort of measure of a product's *occasion share* in a particular consuming occasion also exists. When a product is acceptable for a particular consuming occasion and when the consumer and shopper both recognize this, then it is certain that the product is on the mental list which determines the shopping process. We may conclude that a good knowledge of consumerist culture makes the assumption of effective product positioning in the consumers' awareness.

For example, it is important to understand the following: Who are the people who eat nibbles, either on a regular basis or occasionally? Who consumes nibbles at their own home? Who is the person that consumes nibbles while walking? When do they do it and how often? Where do they buy and consume the meal? What is the need and what is the emotional engagement of the person who satisfies the current food needs by eating nibbles? Knowing the answers to these and similar questions means understanding of occasions for a product's consumption, that is, understanding of the requirements of what the product should "offer" in the given moment. Shopping occasion is defined by three variables important in marketing (see Figure 5): why something is purchased (shopping mission), where it is purchased (location), and how it is purchased (shopping manner; navigation).

Figure 5. Occasion variables: mission, location and shopping manner



Shopping occasions are defined by answers to the following questions: why shopper buys; what is his/her need like; where the shopper satisfies the given need and what are his/her alternatives; and, finally, shopping manner, that is, the approach to finding the necessary product, is equally important. The three elements of shopping occasion are situational variables which can be impacted, thus directing the shopping process in the given occasion, and also impacting at the same time the sales results and the shopping experience which the shopper acquires. By intertwining the elements of mission, location, and shopping manner, retailers have an array of varieties of tools for service and sales promotion at their disposal.

Sales occasions, for example, include events such as celebration of the New Years Eve, Saint Valentine's Day; Prom Night; (theme-) party; beginning of the school-year, Christmas, etc. Here we will show how *Kellogg's* (a global player in food market) sees the chance for implementing shopper marketing at the beginning of a school-year, and illustrate it through their perspective on sales occasions at the beginning of a school-year (The Power 2015):

- “Shoppers prepare in a similar way as they prepare for a regular shopping situation. The shopping process is almost as usual: shopping-lists, flyers, coupons, and discounts.
- The critical business question is how to determine the right moment. The key sales-week must be studied and defined in advance. Food supplies and school materials supplies are piled up in the inventory.
- It is smart to make partnerships. Especially between food and non-food supplies producers, such as school-bags and clothes producers or notebooks and pencils producers.”

This illustration points to the conclusion that shopper marketing is also actively used in the situations that are not usually observed as sales opportunities for individual companies, but the companies turn these situations into good business opportunities through their adequate cooperation and offering complementary products. We hereby point out the creativity of *Kraft* (a leader in food industry) in situations when food is not a priority, but very successful business results can nevertheless be achieved by good ‘connecting’ of offers (Kraftfoods 2015).

The reason for shopping, that is, the shopping mission is the key determinant in *shopping behavior*. For example, when shopping for a wedding, the shopper certainly invests a significant amount of time in finding information, and defining and considering the available alternatives. The situations of a traditional wedding and a modern wedding are certainly completely different, primarily with respect to alternatives, products and services, etc. The

possible points of contact with the shopper in the given situations are significantly different, including the nature and capacity of chances for different products placement. The profile of the need defines the location validity and the shopping manner, which leads to the conclusion that there is a direct link between the occasion for consumption and shopping occasion.

The products and services that consumers are very interested in represent the object of their previous deeper searches, so education and inspiration of such clients is highly recommendable. This certainly requires having adequately trained staff. On the other hand, products that are not particularly important require less communication, to be easier to find, and a relaxing shopping experience (Lucas 2012).

5. STAGE IN DEVELOPMENT AND PERSPECTIVE OF SHOPPER MARKETING

Shopper marketing is a relatively new business concept, which dynamically changes and develops in accordance with changeable business environment. The starting point is the current level of practice development, and also changes in shoppers, competition, and IT environment. In the given context, the short-term and long-term perspectives of shopper marketing concept and practice should be considered.

The famous consultants Hoyt and Swift (2014) point out the disadvantages of currently present shopper marketing:

- *Practice standards and training.* There are still no clear business standards of shopper marketing (what shopper marketing is and what shopper marketing is not), and definitions on what are the necessary skills and training regarding these standards. The unclear positions and imprecise standards lead to debatable quality of training. The majority of companies opt for independent development of practice.
- *Organizational structure.* Half of the respondents classifies shopper marketing as an inter-functional corporative strategy, while other half sees it as a branch of category management or sales department. Shopper marketing is widely treated as a sort of addition to the existing organizational structures, so the issue of responsibility is also unclear.
- *Adequate evaluation of results.* Most companies (58%) does not measure the results of their shopper marketing activities. On the other hand, almost all successful companies, that define their shopper marketing results as outstanding, routinely measure its effects, and the ones that have the largest shopper marketing budgets also achieve the best effects.
- *E-shopper marketing.* In most companies, *e-shopper marketing* is either very primitive or non-existent. Even when *e-shopper marketing* exists, it is set properly at the defined shopping process (path to shopping) in very few companies.

The stated disadvantages of shopper marketing in current development phase are at the same time the perspective for change and for development of the concept and practice. What also confirms that changes are going in positive direction of shopper marketing concept development is the fact that the leading retailers and suppliers are joining together and getting organized in order to better understand and exploit shopper marketing. The Retail Commission on Shopper Marketing initiative is a good example.

Research into multi-channel shopper marketing is also the future of shopper marketing, and structuring of marketing business process aimed at multi-channel shoppers is the topic of the

highest priority (Neslin and Shankar 2009), including the selection of the starting point for an adequate segmentation (Kushwaha and Shankar 2007).

Shoppers usually surf the Internet, thus gathering information on alternatives and their quality (Shankar and Kushwaha 2010), but they buy in traditional physical store (Verhoef et al. 2007). What we are talking about here is the so-called '*hybrid shopping*' (Kalyanam and Tsay 2013) and the adequate requirements of shopper marketing.

6. CONCLUSION

Shopper marketing is an effective business approach which increasingly attracts the attention of retailers and suppliers, and constantly improves its share in their marketing budgets. Increasing investments into and effectiveness of the shopper marketing business concept attracts significant attention of the expert and business public, which causes further development of the business approach in the direction of providing more comprehensive and thorough customer service. Starting with the focus on the shopper and store, today's view on shopper marketing indicates shopper treatment in all significant moments of the total shopping process. Thereby shopper marketing acquires the characteristics of portfolio of customer relations management in different situations of the shopping process, with the purpose of maximizing exploitation of possibilities for influencing shoppers and improving business results.

Depending on shoppers profile and shopping behavior, shopper marketing develops different solutions for sales promotion. The theory and practice of shopping marketing indicate that retailers and suppliers face numerous challenges of deciphering shopping missions which are actualized in stores, whereby offers and adequate stimuli should also be adjusted to these missions. In this respect every store requires defining of its shoppers' profiles, their behavior models, situations they face during shopping, as well as a possible space for sales promotion to the mutual satisfaction of the shoppers as well as retailers and suppliers. All of this is impossible if retailers and suppliers work separately, not exchanging expert knowledge and resources they have at their disposal.

Shopper marketing indicates partnership between retailers and suppliers, primarily in defining mutual business goals and sales promotion business plan, and all of this should be based on mutual knowledge about shoppers and understanding of required service for promotion of partnership results. This means that it is necessary to have harmony in marketing channels regarding the essence and content of shopper marketing, as well as in business practice which is sustainable only when there is balance in satisfying the needs of shoppers, retailer, and suppliers. This is the assumption of overcoming one-sided shopper marketing activities, which do not bear in mind the wider effects and consequences on the business result of the entire store. Overcoming of potentially conflict situations and developing long-term programs of shopper marketing indicates, above all else, that adequate capacities should be developed both by the retailer as well as by the supplier.

Shopper marketing is relatively new business practice which is in intensive phase of its development, primarily with respect to standardization, organization, and development of adequate measures of the results. Since the deepening of the knowledge on shoppers is a continuous process, therefore the process of defining the responsibility and expertise of shopper marketing experts is also of a great importance and interest.

Besides the above stated, the future of shopper marketing is also the development of a balanced multi-channel business practice. Taking into account complex environment, the consistence of multi-channel shopper marketing business approach is a serious challenge. Besides the above stated, the development of new business terminology should also be expected, which would be compliant to mobile technologies, social networks, and the things that will come after the current IT boom.

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FOOD SAFETY AND FOOD QUALITY IN THE SUPPLY CHAIN

Jadranka Bendeković; Dora Naletina; Iva Nola

Faculty of Economics and Business, University of Zagreb, Croatia

Abstract

Maintaining food security has become unconditional when it comes to food trade and customer demand. The food put on the market has to be of good quality and safe for consumption, as well as not be a source of disease and infection. For this reason, securing food safety and quality is a matter of international significance and a responsibility of food producers and governments. During the process of distribution food products go through all stages of supply chain, i. e. all processes which describe how food travels from a farm to the consumers' tables. The aim of this strategy, called "from the field to the table", is to achieve full supervision of food safety in the modern world, because the journey leading from food production to the consumer is very time and space consuming. Along this journey, there are many dangers of food contamination, be it in the very production, during the transport, food storage, or food preparation. In order to enable food quality and sanitary safety of food products, companies have to follow legislations, standards and norms at every stage of supply chain. The aim of this paper is to show how food safety and quality is legally regulated during the distribution in the supply chain, and the ways in which companies ensure a certain high level of hygiene and temperature levels that different kinds of food products require.

Key words: supply chain, food safety; food quality; transport; HACCAP

1. INTRODUCTION

The thesis of this paper is to describe the way processes flow in the supply chain with the aim of preserving food safety and quality. Keeping in mind that food products are among most delicate products on the market, they require special conditions during distribution. Therefore, various details, like temperature, air quality, humidity etc., have to be considered. The aim of this paper is to show how food safety and quality is legally regulated during the distribution in the supply chain, and the ways in which companies ensure a certain high level of hygiene and temperature levels that different kinds of food products require.

The paper is structured in seven chapters. After the introduction, it will be analysed types and importance of supply chain. The aim of third chapter is to present key standards and norms for safety and preservation of food quality. As policy of a food safety in last decades become highly important, fourth chapter will analyse it. Quality and monitoring systems in the food industry and food safety control systems are analysed before the conclusion.

2 TYPES AND IMPORTANCE OF SUPPLY CHAIN

Defining supply chain is not unambiguous. Different authors have different approaches to defining supply chain, so they have to be critically assessed. The term is often connected with the term logistics, where logistics is narrower in scope than supply chain and vice versa, or the terms are seen as interchangeable.

Supply chain management is a broader concept than logistics, which is defined as a process of strategic management of supply, movement and storage of materials, partially or completely finished goods and information, through the organization and its marketing channels (Christopher, 2011: 4), while Ferišak (2006: 25) defines supply chain as an organizational and informational integration of individual processes of supply of business functions in a company, which makes the internal part of supply chain, and their connection to the processes from outside directly involved in creating value, which makes the external part of supply chain, and all this with the aim to optimize the whole process of the flow of goods (materials, intermediate and finished products) and to increase possibilities of creating value. The system for supply chain management comprises a broader spectre of activities in relation to those comprised by logistics, for it includes time periods for resource allotment and various other activities dealing with the establishment of long-term relations with suppliers and customers.

According to Cooper (1997: 2), logistics deals with the flows of materials, supplies and information inside the supply chain, while supply chain management integrates all business processes between all companies involved. Despite different definitions of the supply chain, it is clear that the purpose of managing the supply chain as an integration function is to develop a competitive business model through connecting key business functions and processes inside and among economic subjects.

Therefore, five elements crucial for achieving the supply chain results can be determined: production, supplies, location, transport and information. The coordination of these elements is needed in order to achieve the best combination of efficiency and profitability for the targeted market (Hugos, 2003: 10). The coordination of the flow of goods, information and finance between the involved companies along the journey from the raw material to the final consumer is in fact managing the supply chain. The term of supply chain relates to monitoring the process of supply from all the participants in the distribution channel, with the aim of assessing how consumers' demand influences the movement of product supply through a number of mediators.

The members of supply chain are producers, manufacturers, distributors, wholesalers, dealers who cooperate in the process of supply, delivery, production and sales, all with the aim to meet the demand. When assessing the efficiency of supply chain, special attention needs to be given to the research of business relations between participants, because it defines the supply chain performance. A successful supply chain gives competitive advantage to all its members.

2.1. Supply chain types

There are three types of supply chains, considering the number of members: direct, extended and final supply chain (Noémi, 2013: 132).

The direct supply chain is the simplest form, because only a supplier, a central company and a buyer are included. The extended supply chain includes the supplier, the company, the buyer, as well as the supplier's supplier, where the final chain includes all the members in all the flows of goods, services, information and capital, starting from the first supplier to the final consumer. Similar to the traditional supply chain, the final supply chain consists of the supplier, the central company and the consumer, and of the final supplier and the final buyer.

An important role in the final supply chain play the logistics, financial services providers and market researches. Logistics is a participant in the supply chain, which is in contact with the buyer and the central company, and its task is to deliver, distribute and plan all related logistics tasks. Payments and credit services between the central company and the supplier are performed by financial service provider, while market researchers collect the demand information and feedback on the consumers' demand.

A supply chain can be longer or shorter. It is longer if more members are included and shorter if the producer sells a product or a service directly. The supply chains efficiency is assessed by measuring the performances of individual companies involved in the chain. During the measuring, economic indicators, flow of information, relations between the participants etc. are taken into consideration. Therefore, this assessment gives us the possibility of insight into the whole picture of where the chain functions well, and where there could be setbacks.

2.2. Importance of food products supply chain

Food products are most delicate goods on the market, for they are exposed to the risks like inadequate storage, wrong temperature levels, poor air quality, humidity, light and other factors influencing the quality and safety. The examples corroborating this are: with no optimal temperature, bacteria grow uncontrollably, and the light directly influences the quality of a fresh product (Smith, 2006: 57). Likewise, without proper storage, goods become perishable. Therefore, every storage room has to be equipped with control units which report temperature levels at any time.

Farmers, suppliers, wholesalers, retailers and transporters are participants in the food supply chain, and therefore obligated to enable proper conditions certain food products require. The flow of information among the participants is also important, as well as the product management, in order to maintain the food quality in the supply chain.

The food products supply chain relates to all the processes (production, manufacturing, distribution, sales and consumption), which describe the flow of foods from the farm (field) to the consumers' tables. Every activity in the supply chain requires man or natural resources, and if a part of the chain is endangered, this affects the entire chain. To avoid the chain to fall apart, i. e. the products to perish, it is crucial that participants value certain characteristics of a product, its origin, legal requirements and the temperature sensibility set by the producer's declaration. Important roles here play the distributors who are obliged to ensure traceability of

a product at any time, which is ensured by special informational technology for temperature monitoring etc.

Bearing in mind that the food placed on the market needs to be of a certain quality, a high level of security is needed, because the very supply chain is set in a complicated, dynamic and time-critical environment. Therefore, an important role in the evolution and development of modern food supply chains hold six key factors: quality, technology, logistics, informational technology, regulatory framework and the buyer.

Food products play an important role in economy. For example, in Croatia, food and drinks production is the largest part of the GDP and employment when compared to other processing industries. In 2012, the portion of food and drinks industries in the Croatian GDP was 4.1 % (food processing was 3.2%, drink processing 0.9%), while, at same time, the part of food and drinks processing in the GDP was 28%. Food processing contribution was 21.8% and drinks processing contribution was 6.4% (EIZ, 2015: 3).

The negative trends in the Croatian food and drinks industry in the last few years are a result of an economic crisis, as well as the loss of the privileged export status on the CEFTA markets, due to the Croatian accession to the EU. In the first trimester of this year, the food and drinks production sector contributed 19% on average in the total processing industry employment, thereof 16.8% was food processing, 2.2% drinks industry. After negative inter year growth rate in the food industry two years in a row (1.9% inter year drop between 2012 and 2013), last year there was a slight growth. During the entire 2014, food production records inter year growth rate of 2%. Deseasoned data, according to which the production activity of the food industry was increased by 2.1% in the period from December 2014 to February 2015 in relation to the former trimester, also indicate the recovery of this industry.

3. KEY STANDARDS AND NORMS FOR SAFETY AND PRESERVATION OF FOOD QUALITY

The European Union has defined food safety as one of the key priorities, for it has become one of the unconditional requirements when it comes to food trade, consumers' demands, as well as Croatian and European legislation. This issue can be regarded from two aspects. The first safety is security of food source (food security), important in the underdeveloped countries, while the second safety is the one related to the sanitary correctness (food safety). Food safety aims at protecting the health and interests of the consumers and securing free flow of foods on the market (Schmidt i Rodrick, 2005: 3). The strategy "from the farm to the fork" (tal. from the field to the table), with which a complete management of food safety wants to be achieved, bears great significance in the modern world, for the journey from the point of food production to the consumer can be time- and space consuming, and various dangers can arise along the way - in the very production, during the transport, storage and food preparation. Therefore, it is important to establish and maintain an effective communication between all the subjects involved in processing the food, legislation and regulatory administrations and consumers, in order to preserve the quality and safety of food along the entire production chain.

Four main elements of the food safety strategy in the European Union are food safety for humans and animals regulations, independent and public health judgement, concrete actions in the regulation enforcement and process control, knowing the consumers' rights to choice based on complete information on where the food comes from and its content (European Commission, 2004). One of the elements of the food safety relates to the legislation enforcement and food control, and is performed by the system of rapid information on food for humans and animals RASFF (Rapid Alert System for Food and Feed) which enables rapid flow of information about new risks.

Quality standards for most food categories in the Republic of Croatia are set in special legislations, with the aim of informing the consumers and protecting their rights.

The legislations encompass:

- authorized technological methods applied in the food production and processing,
- defined chemical, physical, physical-chemical and sensory properties, food content (types and quantity of ingredients),
- classification, categorization and name of the food,
- methods needed to be applied before the food is put on the market,
- additional requirements for food labelling,
- methods set by the European Union for the control of prescribed standards of food quality.

Companies dealing with food have two parallel systems for food quality preservation and safety. The system enabled by the state is based on legislations which define ways of ensuring quality and set mandatory and voluntary standards, and which are controlled by state inspections. The other system for food preservation is based on standards which are voluntary and led by market laws, which are defined and set by, for example, international associations (Knežević, 2013: 193).

Introducing standards leads to the improvement of company performance. Food companies achieve marketing competitive advantage, as well as increase market share by applying recognized standards. They also achieve multiple advantages like easier accomplishing the goals and quality policies related to food safety set by the administration, alignment with international standards and global market requirements, which, in the end, can influence the increase in productivity.

On the global market, there is a growing issue of food safety, so the participants in the food production chain have the need to internationally align the norms which would enable a complete system for food safety management and producing and market placement of completely safe and quality food. The norms are established by a consensus, and they set different requirements for safety, quality, traceability of product, as well as protection of safety and health of people, environmental protection etc. Certain norms have to be administered by Croatian producers and distributors. However, which voluntary norm and when it will be applied by a food company depends on the decisions of management and the company director. Considering the ever growing global market and changeable market laws, companies are forced to constantly adapt to these changes, and one way is to accept and

implement internationally recognized standards. In the Republic of Croatia Croatian Standard Institute (HZN) was established, with the aim of increasing the level of product safety, environment protection, preservation of health, improvement of production efficiency, promoting product and service quality, and eliminating technical barriers in the international trade. Likewise, it contributes to the quality and competitiveness of the Croatian economy, facilitates export of Croatian products onto the international market and fulfils all the obligations of Croatia as a member of the European Union. Because of a great number of national norms, the need arose for adjusting the norms to the international level, and that is how ISO 22000 was created, which is a set of norms representing industry's tendency to create international norm acceptable and recognizable in all countries. ISO 22000 is a Food Safety Management System that can be applied to any organization in the food chain, farm to fork. Becoming certified to ISO 22000 allows a company to show their customers that they have a food safety management system in place. Normative documents of 22000 are international norms which enable safe food in the supply chain (MINPO 2013).

4. POLICY AND LEGISLATION IN THE FIELD OF FOOD SAFETY

Because of its importance, the policy of food safety has become a special area of interests and regulations for European institutions and members of the European Union. In part, it belongs to other European policies, as well as health and consumer and environment protection and agricultural policy.

At the beginning of 2000s new diseases emerged connected to food consumption and more often incidents connected to food occurred, which decreased consumers' and public confidence across Europe, and encouraged the European Union to completely change food safety approach (UDD, 2014). Namely, due to different procedures in the assessment of health risk, unevenness of legislations in certain countries on the common market and undefined responsibility along the long supply chain, food processing and distribution, the European Union decided to establish a unique legislation for all the member states regarding food safety. This body of legislation is qualified for a scientific assessment of risk with strict procedures which are valid in all the member states.

The subjects which participate in the food business in all phases of production, processing and distribution, which are under their control, have to ensure that human and animal food meets the requirements of food regulations, which is also the basic principle implemented in the regulations, laws and legislations. They are also responsible for the ensurance of traceability, in order to prove the origin of plants, animals, meat and other ingredients which are to be found in human and animal food. The subjects involved in the business with food have to ensure that all food for humans and animals and all its ingredients can be traced through all phases of production, processing and distribution (NN, 30/15). The subjects should be able to identify every legal and natural person which has supplied them with food for humans and animals, animals used for the food production or any other substance intended to be used or expected to be used in the food for humans or animals. All of this has to be accompanied with documentation in line with the regulations (MRRR, 2011: 6).

One of the most important accomplishments of the consumers and food safety protection policy is labelling foods with declarations and in retail stores. Food labelling is very important in order to protect the rights of consumers, which want to know contents of food they buy on the market, its origins and how to preserve it and prepare it properly, as well as its shelf-life (Ministry of Agriculture, 2013).

The legislation regarding the food safety in the European Union has changed a lot during the last couple of years. The new legislation encompasses the entire chain, from the producers, distributors, through retailers and consumers, which means that high standards are set before all the producers and all the participants in the food product supply chain, important for food safety and quality preservation. As a member of the European Union, the Republic of Croatia had the obligation to adjust the legislation to the European Union legal aquis (MPRRR, 2011).

The whole legislation is based on scientific risk assessment, because the very risk analysis is one of the most important elements of food safety. The European Food Safety Agency (EFSA) plays the central role in the process of risk analysis. Since 2003, the Republic of Croatia has to monitor all the amendments of European legislation in the area of food safety.

Food Law (NN br. 46/07, 155/08), adopted in the Republic of Croatia in 2007, gave the framework for adjusting to the European Union legal aquis in the area of food safety, which relates to official control organization, hygiene rules and food safety. New law on food has been applicable since March 18, 2015 (NN 81/13, 14/14, 30/15) and it provides general guidelines on food regulations, sets the official controls systems, laboratory procedures, prescribes conditions for food and animal food safety and obligations for subjects dealing with food and animal food, crisis management, rapid alert system, food and animal food hygiene, general conditions of quality and labelling of food and animal food, and general conditions for food which contains genetically modified organisms.

4.1. Bodies and institutions in charge with the implementation of food safety

Ministry of Health and Ministry of Agriculture are the bodies in charge of the establishment and implementation of specific areas of food safety policy, according to the jurisdiction in the article 4, paragraph 3 and 4 of Food Law (NN, 30/15). The body in charge of the establishment and implementation of food safety policy in the area of sanitary correctness of the items and materials which come in the immediate touch with food and registration of non-animal origin food facilities and other facilities under the jurisdiction of sanitary inspection is the Ministry of Health. It is in charge of GMO food, drinks and drinking water.

Ministry of Agriculture is the body in charge of the establishment and implementation of food safety policy in various areas, like general principles of food and animal food regulations, general rules of food and animal food hygiene. It represents a starting point towards the European Commission and it is the body in charge of coordination of official controls, health policy and animal protection, and phytosanitary policy.

Institutions in charge of the implementation of food safety in the Republic of Croatia are: Croatian Food Agency (HAH9, Croatian Standards institute (HZN), Croatian Accreditation Agency and Ministry of Economy.

Croatian Food Agency is a legal person which deals with scientific and expert procedures in the area of food and animal food safety, and whose activities, organization and work principles are set by Food Law (NN 81/13), Croatian Food Agency Statute and other general acts of Croatian Food Agency, and it is a point of reference for risk assessment in the field of food and animal food safety.

Croatian Norms Law is an independent and unprofitable public institution which works as an informative centre on technical regulations in line with the 98/34/EZ Directive of the European Parliament and Council and for the Agreement on technical barriers in the trade by World Trade Organization, business contact reference points for the Codex Alimentarius Commission and for products in line with the 764/2008/EZ Regulation of the European Parliament and Council. It was established as a national normed body of the Republic of Croatia, with the aim of achieving and increasing the product and process safety level, environment protection, health and life preservation and promotion of products, process and service quality, all with the aim of eliminating technical barriers in the international trade.

Croatian Accrediting Agency was established for the implementation of Croatian technical legislation which is in line with the legal aqis of the European Union, and it deals with activities of national services for accreditation in the Republic of Croatia. Technical regulations regulate food safety, citizens' health protection, consumers' protection and other fields of public interests.

4.2. Responsibility of subjects in the food safety preservation

Subjects dealing with food are responsible for food preservation they put on the market according to prescribed regulations during all the phases of production, processing and distribution. They are primarily responsible for complying with the hygiene conditions, ensuring traceability in all the phases of food production, processing and distribution, animal food, animals used for food production etc. (MINPO, 2013).

They are also responsible for construction of facilities according to Food Hygiene Act, in the way that they ensure the construction under special conditions, their location, necessary contents needed for certain hygiene levels and the size of facilities where food is processed (HaH; n/a).

Means of transport or containers for food transportation have to be construed in a way to ensure adequate cleaning and disinfection and must not be used for transport of anything else besides food (HaH, n/a). All equipment and materials used have to be regularly maintained and installed as to enable easier cleaning and disinfection, as well as appropriate control devices for measuring temperature, pressure etc.

Every subject that comes in touch with food has to comply with the high level of personal hygiene regulations and go through an adequate training in line with special regulations for certain food sector. If subjects have infected injuries, they must not handle food nor enter the area where food is handled, and have to wear proper protective clothing.

5. QUALITY MONITORING SYSTEMS IN THE FOOD INDUSTRY

Quality monitoring systems (QMS) are key to every food industry sector in order to ensure safe and quality food for consumers (Orris i Whitehead, 2000: 347). The most important quality monitoring systems in the food industry are: Global Food Safety Initiative (GSFI), International Food Standard (IFS), International Organization for Standardization (ISO), Safe Quality Food (SQF) te British Retail Consoratium (BRC).

Global Food Safety Initiative is an unprofitable organization which promotes improvement of food safety system in order to ensure consumers' trust in the delivery of safe food. There are three main goals: ensuring protection of consumers, ensuring international knowledge and information exchange, and reducing costs in the food supply chain. International Food Standard is an unprofitable organization which sets the basic criteria for those norms that food industries have to respect. The aim of these norms is to help the retailers to ensure safety of their products and food quality monitoring. International Organization for Standardization (ISO 22000) is an internationally accepted norm which sets the conditions for establishing and maintaining an efficient system for food safety management. Safe Quality Food is an American organization with the aim of ensuring quality and safe food by means of SQF Certification Scheme. British Retail Consortium is an organization representing all larger British retailers, which, until now, has developed five food industry norms in order to help retailers to completely follow legislation concerning customer protection, in the way that they provide a common basis for testing all companies that supply products to retailers (Baert, 2005: 878).

6. FOOD SAFETY CONTROL SYSTEM

HACCP is the acronym of Hazard Analysis Critical Control Point which represents an integrated system of food safety control in all the phases of its production and distribution. It was developed in the USA in the early 1960s as a help in food preparation for astronauts, and is also one of the first systems for food safety control widely accepted in food processing and delivery (Kilibarda, 2009). It bears great importance for food producers from the point of consumers' protection, because it ensures production and circulation of sanitary safe foods. There are two main components to HACCP: Hazard Analysis (HA) i Critical Control Points (CCP). Hazard Analysis (HA) is a risk analysis with which dangers at every stage of production and delivery are identified and it evaluates the levels of those dangers and how they affect human health. Critical Control Points (CCP) in the food chain are those points which enable complete prevention or elimination of risks or at least reduction of risks onto an acceptable level, as well as their control to ensure food safety. HACCP is an assessment analysis system of dangers which directly influences the sanitary correctness of food products, and it establishes measures for their control. Its implementation is widely prevalent in the developed world, and in the European Union it is legally binding. Its final goal is to ensure the safest production and procedures possible.

Five branches of food industry demanding the implementation of the HACCAP System are: Storage, transport and distribution; Organic food industry; Retail and Hospitality; Production, processing and packaging; Food preparation and distribution (hotels, restaurants etc.). During

transportation, food can be contaminated due to influence of physical, chemical and biological factors. Therefore, it is important that food transportation is in line with the HACCP norms in order to prevent the very food contamination.

General conditions according to the HACCP Guide for Good Sanitary Practice in Transportation are (HGK, HOK, 2011):

- Means of transport have to be constructed in a way to enable efficient cleaning and disinfection, and have to be kept in a clean and good condition in order to protect the food from contamination.
- Food that is transported by any of the means of transportation or in containers has to be secured and arranged as to prevent any form of contamination.
- Food in various forms (liquid, bulk, powder, granules or granular food) needs to be transported in canisters, containers, or tanks intended for food transportation, which must be vividly and clearly labelled with non-erasable labels in the language used in the international food transport, so their use could be clearly seen; they also have to be clearly labelled “for food transportation only”.
- When means of transport and containers are used for the transport of other products or for the transport of different kinds of foods, it is necessary that they be thoroughly cleaned in order to prevent any contamination.
- When means of transport and containers are used for the transport of various kinds of food and other products at the same time, they must be physically separated in order to prevent contamination.
- Means of transport and containers used for the transportation of foods which needs to be at a specific temperature level, have to ensure proper temperature control.
- Means of transport and containers used for transportation of deep-frozen foods have to enable supervision and the list of the reached temperatures in line with regulations.

Vehicles used for food transportation have to be constructed for this purpose, clean, dust and exhaustion fumes cannot enter the vehicle, they have to be weather resistant and enable specific temperature conditions. Depending on the food being transported, we can also differentiate conditions for food handling during the transportation. For example, frozen foods have to be transported in the appropriately chilled (-18 °C) or isolated conditions. If the food temperature would rise up to -15 °C during the transport, it is necessary to bring it back to -18 °C after it was received at a wholesale or a retail store as soon as possible, as it is set out in the HACCP Guide for Good Sanitary Practices. Likewise, food that requires special temperature levels needs to be stored at the appropriate temperature immediately after the delivery as to avoid the possibility of microorganisms to grow.

There are a few types of vehicles used in the transportation of temperature-sensitive products: vehicle with cooling devices (cooler truck), vehicle with the isothermal equipment and vehicle with heating equipment. All these vehicles are equipped with special temperature gauges with the possibility of setting the appropriate temperature. In case of food being repacked from the original packaging into specific containers or canisters, it is of great importance to save the original declaration and place it where it will be clearly visible.

The system dictates certain conditions to be met when food is being received, and those are: commercial delivery vehicle, temperature measuring, visual control, declarations control, and keeping the written records of the received food.

The delivered food has to be appropriately stored. The facilities where food is stored have to meet sanitary technical and hygienic conditions as to prevent its spoilage and contamination. Depending on the food type and storage demands, food can be stored in cooling devices or coolers and at the ambient temperature. As a rule, required temperature has to be maintained and cannot fluctuate. It is of great importance to monitor and keep record of the temperature in the cooling devices and coolers, but the temperatures are often not appropriate after constant opening of the devices or automatic defrosting, for instance. Therefore, the measuring time needs to be adjusted to the given activities in order to measure correctly. The system requires that all subjects assume obligation to have a way of checking the results of temperature monitoring at any given moment (temperature probe, infrared probe etc.). It is imperative that temperature probe be cleaned and disinfected before or after their use.

The HACCP System demands that subjects dealing with food keep records on specific forms, like, for example, of the received goods. The form for delivery and receipt of goods has to be used by logistics firms, and they have to deliver following data: upon the loading of goods: date, time and place, type of goods, quantity, temperature of the goods, signature provided by the driver who received the goods, and the producer's signature and seal; upon the delivery, data that have to be recorded are: date, time and place, goods damage notice (if there is any), type of goods, quantity, temperature of the goods, and signatures provided by the driver and the storekeeper who received the goods. Before the loading, it is also necessary to write down the registration of the vehicle and the proper methods of cleaning and maintaining the vehicle before the loading.

7. CONCLUSION

The main goal of a company involved in the modern ways of conducting business is to deliver food products as quickly as possible, ensure a certain level of safety and quality, so as to satisfy the growing needs of consumers. Food products go through every stage of the supply chain (production, storage and sales), and for this reason, it is crucial to ensure its quality and safety along the way from the farm to the buyer, i.e., "from the field to the table". It is therefore relevant to accentuate the importance of every link in the supply chain, because if one link of the supply chain is endangered or missing, it affects the entire chain. The participants in every phase of the chain are obliged to ensure the quality, sanitary safety and traceability of food in line with all legislations, standards and norms, like, for example, Food Law, HACCP and ISO 22000.

Bearing in mind that during the transportation food contamination can happen due to the harmful effect of chemical, physical and biological factors, it is important to respect general conditions of the HACCP Guide for Good Sanitary Practices for transportation of goods.

Because new diseases connected to food consumption have been arising ever more frequently, at the beginning of 2000s, the European Union decided to change its former

approach on food safety by establishing unique regulations for all member states. As follows, Croatian Standards Institute (HZN) was established in the Republic of Croatia, with the aim of increasing the products safety level, protecting the environment, human health preservation, promoting products and services quality, eliminating technical barriers in the international trade. It also contributes to the quality and Croatian economy competitiveness.

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SMARTPHONES AND MOBILE APPLICATIONS AS TOOLS FOR GROCERY SHOPPING

Blaženka Knežević; Mia Delić; Nenad Kukić

Faculty of Economics and Business, University of Zagreb, Croatia

Abstract

Technology in retail sector progresses rapidly and retailers, in an effort to follow the trends and to create competitive advantage, develop technological solutions in retail to give their customers an unique shopping experience, but also to increase efficiency and reduce operational costs. One of the key directions in the development of innovations is the mobile technology, i.e. mobile commerce within different product categories. Smartphones and mobile applications as shopping tools are being developed at the global level, and retailers are trying to integrate them in the process of buying, or to create a new marketing and sales channel.

This paper analyzes the importance of the application of mobile technology in retail, the effects of technology solutions to retailers and directions of technology development in this sector. The paper also highlights the possibilities for the application of smartphones in the purchase process, and perspectives of application of mobile phones and mobile applications when buying groceries. Through examples of retailers, the paper aims to show in which ways smartphones and applications can be used to communicate and purchase online. The paper is based on analysis of secondary data.

Key words: smartphones, mobile applications, m-commerce, grocery shopping

1. INTRODUCTION

Technology is an external factor or variable that cannot be controlled by retail companies that needs to be adjusted, as well as other uncontrollable variables (consumers, statutory and legal regulations, economic conditions, competition, etc.) operating in the vicinity of the company. As an external factor, technology has to be connected with the business methods and internal factors (sales, production, marketing, logistics, procurement, warehousing, inventory and other functions within the company).

Distributive trade is strongly influenced by computer technology, wireless networking, the Internet, global computer information systems and related information and communication technologies. Retailers use these technologies to collect exchange and process data for a more efficient flow of production and distribution (Segetlija, 2011). Technological advancement in the field of retailing is at a high level, and is used in every segment of the retail business, from purchasing and supplier relationships to sales and communication with consumers. Technologies are now one of the leading drivers of change in retail. Technological advances

are used and implemented at the level of business units (shops), at the level of the enterprise and between enterprises.

Technologies play an important role in terms of retail functions within the company and many technologies emerged to support the retail functions in the past ten years (e.g., RFID, NFC, 3D printing, mobile payments, biometric payments, etc.). Therefore, retailers must follow the trends, and provide consumers with accessible, understandable and simple technology for the application in payment process, informing about the product or service, assistance in purchasing, etc., i.e. to provide them with a unique experience and ease of purchase. Nonetheless, technology as an individual factor is not and cannot be the sole source of strategic advantages of the company, however, is one of the grounds underpinning the acceleration of the process of knowledge creation which implies the collection, execution and analysis of data from different fields of activities of business enterprises in order to obtain better results and achieve its goals.

The fastest growth in last two decades was reached in the field of electronic commerce, where annual growth rates were measured in two digit indicators taking into account number of users, generated sales and profits of the largest players. Nowadays, the focus of retailers has to be moved to a new area, it is the area of mobile commerce which brings new opportunities and risks for marketers and retailers on a global level. Barnes and Scornavacca (2004) claim that mobile phones gained global acceptance in an extremely short period. Moreover, Sultan et. al. (2005, 2009) point to the fact that mobile devices are not only technological innovations, but also marketers and retailers should take into account that they are extension to personality and individuality of the consumer. Other important characteristic of mobile technology is the fact that it brings marketer to the position to reach individual customer anytime, anywhere which enables one-to-one marketing communication and provides an opportunity to offer them highly personalized services (Roach, 2009; Barutcu, 2007). Persaud and Azhar (2012) claim that there is a different perspective as, from the point of view of consumers, mobile devices are accepted and used to enhance their private and social life, and, from the point of view of retailers and marketers, mobile devices are seen as a marketing and sales channel. In addition, Persaud and Azhar (2012) state that mobile marketing is an easy and inexpensive way to reach consumers, but not each customer wants to get marketing messages to the mobile device. The increased performances and capabilities of new generation of smartphones brought up numerous possibilities for marketing communication through rich media contents, but more importantly, though a pull-based marketing by developing tailored mobile applications.

In this paper we will give a short overview of mobile technology in retail, then we will discuss m-commerce as an extension to e-commerce in the field of grocery retail. At the end, some practical examples of mobile applications in grocery retail will be given.

2. MOBILE TECHNOLOGY IN RETAIL

Mobile commerce represents any monetary transaction that is realized via mobile telecommunication networks. Mobile commerce is defined as a value-added service that can perform reliable and secure financial transactions to end-users (Bijele, 2000). As well as all regular e-commerce transactions and m-commerce may occur via the Internet, private communication lines, "smart" cards, or through some other infrastructure. M-commerce complements e-commerce by providing safe ways to perform financial transactions. M-commerce applications encourage end users to unplanned purchases and transactions.

M-commerce creates the conditions for companies to offer existing customers new products or services, as well as to attract new customers. Development of m-commerce is affected by the following factors (Rainer et al., 2006):

- Wide distribution of mobile devices: mobile phone use is increasing constantly which allows active participation in m-commerce to end users;
- Reduced demand for PC: advanced features of smartphones and other mobile devices enables accessing the Internet without personal computer;
- Culture of mobile phones: the widespread use of mobile phones is a social phenomenon, particularly among young people; members of the "culture of mobile phones" have become a significant online consumer population;
- Falling prices: prices of wireless devices are continuously falling, with a tendency of further decline;
- Improving bandwidth: m-commerce requires sufficient bandwidth for the transmission of images, text, audio and other multimedia content; Wi-Fi, 3G and 4G mobile technology provides the necessary bandwidth.

From the communication device mainly intended for business users the mobile phone became a device used by almost everyone in the last ten years. According to research by Ipsos Puls agency, 87% of the Croatian population aged 15 and over uses mobile phone (JaTrgovac, 2012). In addition to phone calls and SMS, mobile phones are used as personal assistants. Today, primarily due to appear of Smartphones and a large number of applications, as well as faster and more cost-favorable mobile Internet, mobile phones are becoming widely used devices in a variety of situations and activities. Smartphone customers have access to e-mail, Internet banking, use social networking sites, and search for information on the Internet. In addition to these activities, Smartphones are also present in the process of purchasing in various ways.

Mobile technology development is an inevitable trend in the area of modern technologies in retail. Internet is a medium that helps us to prepare for the purchase in advance, especially when purchasing electronic devices and other non-food products. Number of smartphone users increases rapidly, and thus increases the base of potential customers who will buy through mobile devices on a daily basis. M-commerce today is not only the purchase via mobile phone, but also represents the identification of the customer in terms of solutions to improve customer loyalty and automate processes of payment with a mobile phone.

As customers increasingly use applications for information before going to the store, this phenomenon is named "ROBO" in the world of retailing, which stands for "research-online-buy-offline", and is a process of information retrieval over Internet and applications, in order to purchase then within the physical stores. Mobile technologies have led to the emergence of ROBO customers, as almost 97% of smartphone owners use the same for research related to one of the following planned purchases. It was found that (JaTrgovac, 2013):

- 49% of users use smartphones to locate the desired retail outlet,
- 63% of users use smartphones during purchase in order to find further information about the products,
- 24% of users use smartphones during purchase in order to compare prices,
- 28% of users use smartphones to accomplish purchase.

Retailers have recognized the importance of this trend and are trying to attract customers by constantly improving this sales channel. The best way to do that is to offer retail applications designed for the most popular mobile platforms (iOS, Android, Windows Phone, and

Blackberry). Typical mobile transaction begins with access to appropriate web page where the retail offer can be found. The offer is recorded in the memory of the mobile device that has the capacity to receive tens of thousands of items with an appropriate picture of the product and basic information. The application provides complete synchronization of phone and Web pages. It is only necessary to apply the system to begin with online orders. It is possible to make and store additional requirements related to the products (such as: thickness of sliced salami or how to cut the meat).

In accordance with the analysis of renowned companies the implementation of the concept, which is the foundation of mobile technology, leads to direct increase in the operating result to 20% (JaTrgovac, 2010), with respect to influence of mobile technology on increasing the effectiveness of employees and end customers. The purchase process is intended to retain the customer, increase the number of products in the shopping cart and attract new customers by means of a number of tools, some of which are the most common coupons for discounts on cell phones, pay phones, advertising material on cell phone etc. As customers are more inclined to try out new experiences of buying, it is possible that this form of buying via smartphones motivates them to order more. This method of retail sales does not represent guaranteed success and income, but the traders have to maintain a competitive edge by continually monitoring the market and the introduction of new technological solutions, in order to meet increasing customer expectations. Customers should recognize the benefits and advantages that m-commerce brings.

When it comes to mobile phones, most of the retailers focus primarily on transactions in sales associated with mobile devices, i.e. the direct mobile commerce. However, according to research by Deloitte much more effective approach is to use smartphones and applications inside the store when shopping. For example, in the UK smartphones affect the 5.8% increase in total sales in the stores. Investments in improving mobile applications can help retailers to influence consumer behavior. The percentage of consumers who make conversion during the purchase (the buyer decides to purchase under the influence of certain factors), thanks to the smartphone, increased by 12% compared to those who do not use mobile devices, because of applications that provide meaningful and customized shopping experience, and help consumers when purchasing (Deloitte, 2013).

A large part of the population in Croatia uses mobile phones, while smartphones are becoming more price-accessible – large potential of this consumer population is still underused. Key restrictions on the use of mobile payment are complicated applications and uncertainty to security of mobile transactions. Also, electronic commerce had similar obstacles, which were accepted by customers after a certain period.

Due to the use of mobile devices during the purchasing process, there are two different groups of consumers. The first group includes those who are considering product that they want to buy, thus requiring research quality via smartphones or tablets to be at a higher level. In addition to research tools, smartphones offer marketers the opportunity to work with customers before and after purchase, primarily those who buy electronic products, clothing, shoes, etc. The second group of consumers is spending less time in presales activities and do not give much importance to the planning and consideration of the product when purchasing. This category of customers asks for a certain level of transactional functionality through smartphones, where the smartphone can become the primary method of low value payments or regular grocery shopping, when it comes to simple transactions related to the purchase of books, music, video games, toys, household supplies, personal hygiene etc. (Deloitte, 2013).

The potential of m-commerce is important for those who are willing to develop specific mobile business strategies. While the m-commerce matures, current mobile operators will rely less on fees for the use and increasingly draw revenue from content and services. Those who are able to provide added value to customer experience, through the aggregation of content and development of the portal, will achieve long-term success. Only the extension of the current presence on the Internet is not enough because mobile Internet users are more and more demanding. Providers must take an advantage of the characteristics that distinguish m-commerce from e-commerce, in order to develop truly unique and compelling services, rather than repeating the existing models of e-commerce.

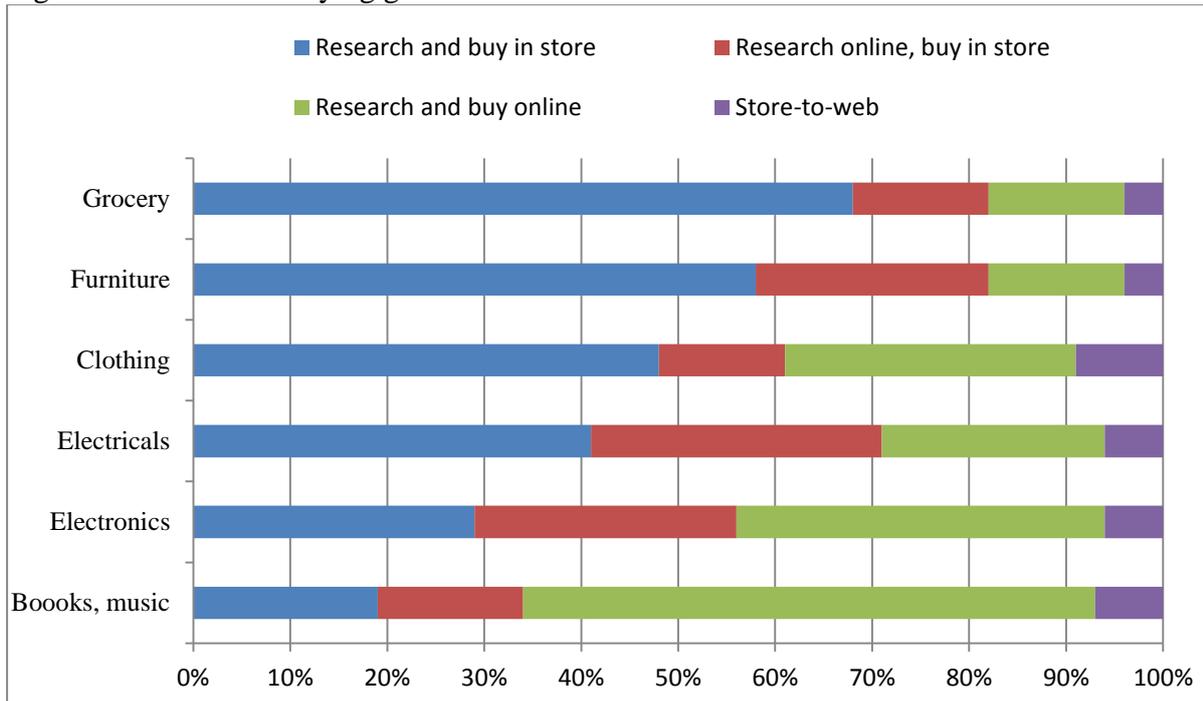
Given the growing influence of mobile devices on traditional sales, retailers should consider changing their approach to mobile devices. They should develop a strategy associated with mobile devices thus influencing consumer behavior, which is reflected in the entire business, not referring exclusively to the Internet and m-commerce. They should develop new or upgrade existing mobile applications that provide critical tools and information to help the customer that could influence his decision during the checkout process, especially in the store. Retailers should recognize the varying needs of consumers towards products and ways of purchasing and customize applications according to them.

3. APPLICATION OF SMATRPHONES AND MOBILE APPLICATIONS WHEN PURCHASING GROCERIES

3.1. Mobile commerce as a logical extension of e-commerce in area of groceries

E-commerce of groceries in Europe is growing; according to expert estimates in some countries it could double in the coming period. In addition to traditional grocery shopping, consumers are trying to make a contact with retailers through the website (68%), email (53%) and social network Facebook (20%) (Childs, 2013). There is also a trend of growth in digital grocery commerce in Croatia, but it is not even close as in the most developed EU markets. Such trends are not surprising given that only several retailers sale over the Internet. Although e-commerce of groceries shows a positive trend in Europe, this share is still small compared to other products - according to Eurostat data from 2012, digital grocery commerce reached 9% of total e-commerce (Eurostat, 2013). According to research by McKinsey & Company, consumers prefer shopping in the store (Figure 1), and only a small portion of respondents use e-commerce or other locations (Childs, 2013).

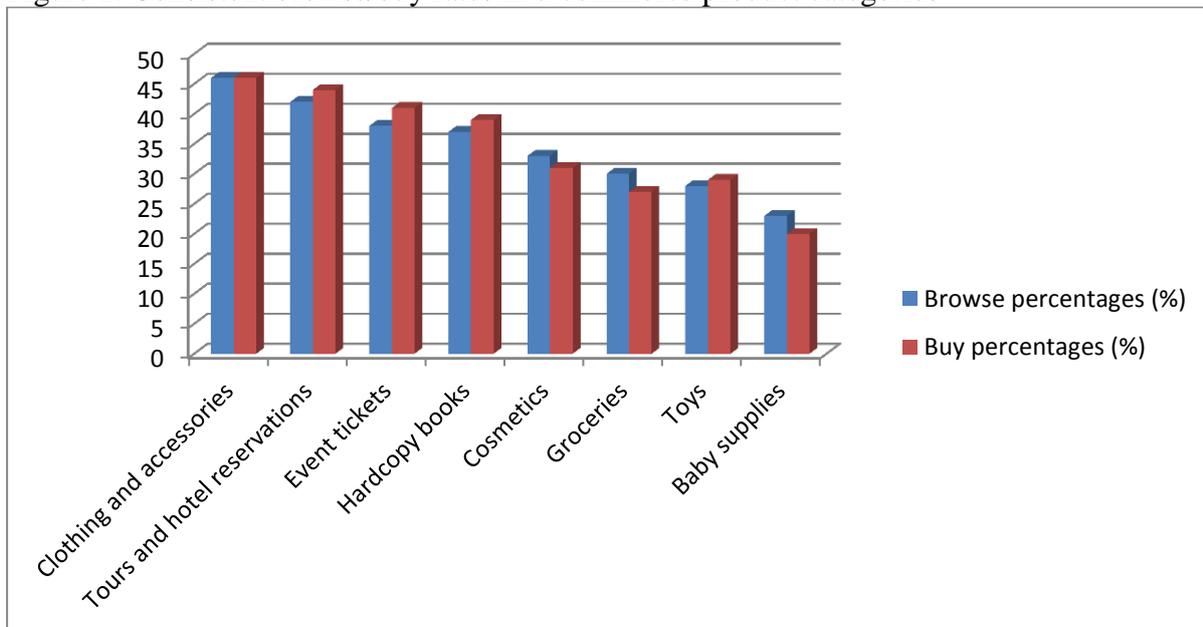
Figure 1. Methods of buying groceries



Source: adapted from Childs, N. M. (2013), pp. 13.

Nonetheless, consumable products have lower online browse/buy intention rates than non-consumable products but they boast just as strong browse-to-buy correlations. According to Niensens research held in 2014, almost 30% of respondents plan to buy groceries online in next 6 months (Figure 2).

Figure 2. Consistent browse/buy rates in e-commerce product categories



Source: adapted from Nielsen (2014), pp. 6.

Deloitte Research from 2014 shows that that in-store sales of groceries are expected to stagnate compared to sales via the Internet. In fact, research shows the ratio of monthly

consumption for a period of one year, and how much of an increase or decrease in consumption will be in the same foods through 3 years. The research results show that retailers expect the increase in Internet sales by 35% in a year and 76% over three years, while 67% consumers expect to shop online in a year and 158% over the three years. Based on these data, retailers should recognize the potential offered by Internet sales. Although this is not the large amount of monthly purchases, the percentage change is noteworthy to focus part of the business on Internet sales. For example, for perishable food projected monthly online spending is \$18 for a year as opposed to spending \$133 in the store, while for the same product category over three years expected monthly online spending is \$30, as opposed to spending \$136 in the store. For non-perishable goods projected monthly online spending is \$14, versus \$78 spending in the store for one year. The expected increase in the monthly online spending for three years period is \$24, as opposed to \$77 spending in the store (Deloitte, 2014).

When talking about the most acceptable device for online shopping, computers are the favored device for online browsing and buying in all regions (80%), but mobile phones are a close second pick for respondents (44%). While tablets are currently less popular than other devices for shopping online (31%), their portability and large-screen features are conducive to online shopping (Nielsen, 2014).

Many retailers in Europe consider online sales as an additional cost; selling groceries online means taking on additional costs - in labor, delivery vehicles, and fuel - that are higher than the fees customers are willing to pay for delivery. This is particularly problematic for retailers in markets where gross margins are lower and labor costs are higher. Some of Europe's grocery retailers have ventured into online selling, but their Web sites feature were mostly limited and their assortments were overpriced. Another factor keeping demand low is consumer skepticism about product quality. French, Spanish and British consumers who haven't yet tried grocery shopping online said their biggest concern is the actual products before buying - they want reassurance that their groceries will be fresh and high quality (Galante *et al.*, 2013).

In France, several retailers decided to provide an online sales service where the product can be ordered online, and taken up in the retail shop. Similar trend is taking place in UK. In this way, shipping costs are absent (vehicle maintenance and fuel). However, consumers who purchase over the Internet have pointed out that they prefer delivery (88% of British consumers, 65% of Spanish and 50% of French consumers). Those who do not use this method of purchase, accept the delivery of products and taking up products in retail store (Galante *et al.*, 2013). According to these results, retailers should combine these two services of selling products online.

The rise in the use of smartphones when shopping comes as the smartphone can be used as an auxiliary device or purchasing assistant when searching for information, price comparisons, locating stores and monitoring of promotional activities, as well as orders and payments. The most common barriers when purchasing groceries online include shipping costs, waiting for delivery, security and privacy, inability redemptions, confusion, lack of physical verification products, concerns that will be delivered to the product is damaged, etc. (Swedowsky, 2009).

Smartphone applications for purchasing groceries may be available for certain foods to individual traders (e.g. The Wegmans, Giant, ShopRite), and universal applications such as Grocery IQ that customers use regardless of their choice of retailer. Applications can have a

single function, such as assembling the buying list, connection and the use of coupon or displaying the nutritional information by scanning the product. Also, they can be multi-functional, synchronized and shared with multiple devices and users. Online applications can be free and surcharge. There are different platforms for shopping applications such as iPhone, Android, Blackberry, iPad and PC. According to Peck Fellowship Year One's applications can be divided into three groups (Childs, 2013):

1. Practical applications that provide:
 - creation of a shopping list,
 - suggestion of a route to the store,
 - locating products within the store,
 - scanning, or checking information about the product,
 - recommendation of substitutes,
 - recommending recipes,
 - a list of ingredients for a specific recipe,
 - access to services for users,
 - display of nutritional information about the product.
2. Economic applications that provide:
 - comparison of prices,
 - identification of coupons and discounts,
 - a record of the amount spent,
 - exclusive discount for applications user.
3. Applications that enables personalization:
 - memory and display of past purchases,
 - customized product recommendations,
 - the reminder of personal events (birthday, holiday, anniversary)
 - display of loyalty scores and incentive programs,
 - the possibility of recommendations of a diet program.

The primary motivation of consumers when using a smartphone is money savings by using coupons and by review weekly discounts. Consumers in the United States most commonly use applications for coupons, promotional activities, drafting purchasing lists, product information, locating products within the stores, while smartphones and applications are not used largely for payments.

The research conducted by eMarketer (Garcia, 2014) shows that areas with the most perceived likelihood to use smartphones in grocery shopping are ranked as:

- (1) Digital coupons (76% of respondents will somewhat likely or very likely use smartphones in this field)
- (2) Applications for weekly sales items (71%)
- (3) Grocery list applications (65%)
- (4) Food recall information applications (57%)
- (5) Applications with specials for tonight's dinner (56%)
- (6) QR codes for price comparison (55%)
- (7) QR codes for nutrition information (52%)
- (8) In-store item locator (51%)
- (9) Mobile payment (44%).

According to Deloitte survey consumers used more than once applications on smartphones to compose shopping lists (32%), for managing coupons and special offers (26%), for participation in loyalty programs (21%) and searching for price information (19%). These

data refer to the use of applications and smartphones out of the retail store. Nearly 71% of consumers have never used mobile devices for activities related to the purchasing of groceries. Information on the use of smartphone applications within the retail stores do not differ much: compiling lists for purchase (33%), management of coupons and special offers (25%), participation in loyalty programs (26%) and search for price information in store (24%). About 70% of consumers had never used a mobile device inside the store (Deloitte, 2011).

It should be mentioned that consumers are still prone to the traditional forms of buying groceries, and it will take time until customers technologically evolve and accept this new form of technology. Despite this, consumers have certain expectations from retailers as regards the supply of mobile applications and programs. Number of consumers that use mobile applications for planning, drafting purchase lists, coupons, locating products and loyalty programs grows daily. In recent years, consumers in the United States increasingly download applications related to the purchase of groceries, according to Garcia (2014, p.3) the penetration rate of grocery shopping apps downloading grew from 10% population in 2010 to 37% of population in 2013.

According to eMarketer survey (Garcia, 2014), in-store activities by using smartphones in grocery shopping differ among different group of users, see Table 1. While mothers as smartphone users mostly perform digital coupon finding, millennial smartphone users in most cases make price comparisons, while adults mostly prefer the access to their shopping lists.

Table 1. Smartphone activities while in-store grocery shopping (US users)

Activity	Millennials	Adults	Mothers
Compare prices	58%	43%	50%
Access to shopping list	51%	45%	50%
Find recipes	46%	31%	32%
Find digital coupons	40%	45%	55%
Search for product information	23%	19%	19%

Source: adapted from Garcia, K. (2014), p. 7.

3.2. Practical examples of mobile commerce applications tailored for grocery shopping

Some of the most popular applications for purchasing groceries are Out of Milk, OurGroceries, Food on the Table and Grocery IQ. *Out of Milk* application is free for the iPhone users, while the fee for Android and PC is \$1.99, and allows scanning barcodes, assembling shopping list and purchasing products. The disadvantage is that the scanning barcodes applies only to national brands and adding more details for each item may be prolonged after the first use. *OurGroceries* application is free, but the upgrade costs \$4.99 if the user does not want to be running ads. If multiple family members use this application, a list of ingredients is compatible with the latest changes, if each member individually uses application on its device. It can be installed on the iPhone, Blackberry, Android and PC. In addition to synchronizing the list, there is also a part for the prescription. Barcode scanning is available only on Android devices. Disadvantages of this application are constantly displaying ads in a free version of the application; also, part for prescriptions does not include ready-made recipes, but the ingredients must be entered manually. *Food in the Table* is a free application for basic members, while the subscription for premium members costs \$9.95 monthly or \$69.95 annually. The application is available for PC, iPhone and Android devices,

and offers a variety of recipes, meal planning, and many forms of purchasing personalization. There is no possibility of synchronization with other user accounts, but multiple users can share the same account, and there is no ability to scan. *Grocery IQ* app is free and available for PC, iPhone and Android devices. It has the ability to sync list, print lists and coupons. The list can be assembled by scanning a barcode or by voice recognition, but also can scan only national brands (Childs, 2013).

Tesco allows British consumers to buy anywhere and at any time via a free mobile application for purchasing groceries. The application allows customers to scan barcodes for a quick order or other quick service, as well as the synchronization of one's orders between multiple mobile devices. Consumers have access to thousands of online products whose pictures with prices are available on the application, and can be delivered to their home address. Tesco offers the ability to access a wide variety of recipes to their consumers. In addition to this method of selling, through online applications, Tesco allows its suppliers access to quality information in order to easily adapt to market demands. Tesco implemented a virtual store in Seoul underground railway stations, where consumers can use their smartphones to scan bar codes that are located next to the picture of the product, and after the purchase groceries are delivered to the customer's home address. Tesco wants to implement the same project at Gatwick Airport in London. Through the online application customers can purchase groceries, which can be picked up in the store without leaving the car. Such services already exist in Carrefour stores in France and the US, and Ahold's Stop & Shop (Market Access Secretariat, 2014).

As one of the pioneers of the mobile self-scanning retail industry, the use of smartphones which allows customers to use their devices in the process of buying is a logical step for Ahold's Stop & Shop. This American company expanded the scheme 'Scan it' 'with Motorola handheld device on iPhone and Android devices, based on the software Modiva Media in 2011 (Planet Retail, 2012). Retailers' application associated with the POS system and customer loyalty programs provide offers to the customer based on past purchases. By scanning the barcode data is sent by Wi-Fi network within the stores to the central in order to locate a customer and to send personalized messages. In this way Ahold's Stop & Shop encouraged its customers to spend more money when purchasing products, which resulted in double-digit sales growth. The complexity of location services is gradually increasing on the basis of power of the WiFi signal. To ensure safety, smartphone users can only communicate with the retailers' server.

Modiva Media aims to connect applications on the smartphone with self-service scales, so that after scanning the QR code price and weight are automatically sent from the scale on the mobile phone. Once a customer makes a purchase, he scans the bar code or the terminal designated for payment at the cashier, after which the data on the contents of the basket is forwarded in order to make transactions. The buyer then registers its loyalty card and makes payments (according to <https://www.ahold.com/Media/Stop-Shop.htm>).

Croatians largest retailer Konzum offers application available for Android devices, BlackBerry and iOS devices. Through Konzum mobile application customers can find the information on products, order groceries, and find the closest retail store, track promotions and so on. The application also enables scanning bar codes on products, so customers can easily find out the price of a product. The app will locate the buyer and offer him/her the nearest retail shops, and navigate customer to the selected outlets. Customer can filter the results by the retail format (small shops, supermarkets, hypermarkets), find out the opening hours and other basic information about the outlet. Konzum application is also integrated with

Facebook so customers can leave recommendations to use the application, or disclose information about a product or current discounts to its friends (Krajačić, 2011).

Metro Group is the first retailer in the world who offered customers the service for scanning products by using iPhone, or an application that helps the process of purchasing (MSA - Mobile Shopping Assistant). This project was introduced in 2011 in Germany as part of the future concept store. Benefits related to this technology are the high-resolution screen of the iPhone, the intuitive user interface and greatly enhanced scanning functionality for RedLaser software development. Nevertheless, the purchasing process remains largely unchanged from the initial projects. Users of this technology are very pleased with its capabilities, primarily to avoid waiting in lines and easier and faster way of payment at the cash desks. Until now, the application is available only for iPhone users, but Metro is looking for solutions to make it applicable to other user interfaces, Android devices and Windows platform devices.

Metro iPhone application users can prepare for the purchase from their home and scan the barcodes of products they intend to purchase during the next visit to the store. Also, Metro introduced navigation within the stores to help customers locate the products that are in the shopping list. As for sending customized coupons or discounts to customers who use smartphone, Metro omitted this form of personalized approach because of data privacy and does not send individual promotional notifications to the customer (Planet Retail, 2012).

4. CONCLUSION

Thanks to modern technology retail is rapidly evolving every year. After centuries of traditional sales, in a very short time appears e-commerce via personal computers (PCs) and m-commerce via mobile phones. Internet and mobile commerce are becoming increasingly popular, for both retailers and customers.

Mobile commerce today does not only represent purchasing via a mobile phone, but also the identification of customers in terms of solutions to improve customer loyalty and to automate payments processes with a mobile phone. The main advantages of mobile commerce are the ability of using mobile technology anytime and anywhere. According to many studies, two main obstacles to the use of mobile payment are complicated applications and the lack of security.

Although it is difficult to predict whether the buying groceries via smartphones will achieve its full potential, consumers are slowly accepting this way of purchasing groceries. This product category has the lowest share in mobile commerce among others. Consumers primarily use mobile applications for compiling lists of groceries, compare prices, locate stores and monitor promotional activities within the store or before visiting store for purchase planning, while buying products and mobile payments are rarely used. Therefore, we can conclude that m-commerce in a near future will still remain a value added service and additional channel to traditional retailing.

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PROFILE OF SOCIALLY RESPONSIBLE FOOD RETAILING: THE CASE OF SERBIAN SUPERMARKETS

Radenko Marić; Dragan Đuranović; Daniela Nuševa

Faculty of Economics in Subotica, University of Novi Sad, Serbia

Abstract

This paper deals with the socially responsible behavior of food retailers. The aim of the research is to define the indicators of the social responsibility concept in food retail, based on gathered empirical data. Electronic testing was conducted on a sample of 350 customers in the largest supermarkets in the Republic of Serbia. The results showed that there was a statistically significant correlation between indicators, such as: honesty in sales transactions, neatness and hygiene of sales staff and sales areas, well trained and informed sales personnel, polite attitude toward customers, interior cleanliness, cultural behavior, compliance with legal and ethical norms. The results served as a basis for defining the profile of socially responsible food retailer. The research is particularly important for food retail sector managers, who should be familiar with subject indicators in order to influence the creation of socially responsible workplace and thereby achieve greater customer's satisfaction. Suggestions and guidelines for future research are provided in the paper.

Key words: food retail, trade, supermarkets, social responsibility.

1. INTRODUCTION

Many studies (Berber *et al*, 2014; Demetriades and Auret, 2014; Mackey *et al*, 2007; Becker-Olsen *et al*, 2006) showed a clear correlation between the application of the social responsibility concept and effective corporate management, human resources management, organizational behavior and profitability. Management of companies that adopted socially responsible manner of operations, pass their philosophy of social responsibility to their employees, business partners, suppliers, subcontractors, international collaborators, etc. (McWilliams, 2015; Garriga and Mele, 2012). In this way, companies create socially responsible workers that are recognized as such by the market and potential buyers, and in return they are more loyal to products and services of these companies (McWilliams and Siegel, 2001). Recent studies in the field of social responsibility, organizational behavior and corporate management (Pivato *et al*, 2008; Nubudisi, 2007; Luo and Bhattacharya, 2006) indicate a significant correlation between customer loyalty and the concept of socially responsible behavior of employees.

The results of these studies are particularly important for the service sector, primarily retail sector, characterized with direct contact between seller and buyer. According to the research done by Maric and Djurkovic Maric (2014), potential buyers base their decisions to purchase on first contact with sellers. If sellers are observed as cultural, fair and polite towards customers, organizationally responsible, compliant with the law, etc., buyers will accept these

retailers and will be more determined to buy their products or services (Marić and Đurković Marić, 2014). Similar results were also confirmed by the study conducted by Jones, Comfort and Hillier (2007), which shows that potential customers' decision to purchase, in addition to product quality, is significantly influenced by the way they are treated and standards of behavior of sales staff at the moment of purchase.

Given the importance of these results, the studies on retail in recent years (Maloni and Brown, 2006; Jones *et al*, 2005; Piacentini *et al*, 2000) have paid more attention to food retail sector and the importance of social responsibility in this sector. According to the research by Jones, Comfort i Hillier (2007), food retail accounts for more than half of the overall retail with turnover of over 90 billion pounds a year, and with a constant growth rate. Acceptance of social and ethical standards by employees, primarily sellers, is particularly significant in food retailing, because they are in direct communication with potential customers, offering them products, providing them with the necessary information, serving them, taking care of hygiene, cleanliness, orderliness, etc. (Vignali *et al*, 2007). Piacentini, MacFadyen and Douglas (2000) emphasize that customers in food retail differentiate between sellers who have a passive, reactive and proactive attitude towards social pressures. If potential customers recognize the proactive acceptance of social standards of behavior, they will respond to it by buying products and will show greater loyalty to a subject company (Piacentini *et al*, 2000).

Bearing in mind the mentioned aspects and undeniable importance of the social responsibility concept in food retailing, the subject of this paper is to investigate the use of the social responsibility concept in food sector in major supermarkets in the Serbian market. The aim of the paper is to define, on the basis of empirical research, the indicators that are according to the customers, the most important for the concept of socially responsible behavior. Based on the obtained results, the model of social responsibility in food retail will be created. Since very few studies dealt with this issue on the Serbian market, but none of them covered the issue of social responsibility in the food sector, the practical significance of this study lies in the fact that managers of retail stores will familiarize themselves with subject indicators in order to create a socially responsible workplace and thereby achieve greater customer's satisfaction.

The paper is structured in five parts. After the introduction, second section defines the most important theoretical points of view regarding the importance of the social responsibility concept in food retail and presents the research hypotheses. The third section describes the methodology used in the study, the research sample and methods for testing the set hypotheses. The next chapter deals with the results of the conducted tests and constructs a model of socially responsible seller. The last section summarizes the most important conclusions of the research results and provides suggestions for future research.

2. LITERATURE REVIEW

In recent years, increasing number of papers have emerged dealing with the research and understanding of socially responsible operations, the need of the public and consumers (Demetriades and Auret, 2014; Berber *et al*, 2014; Castaldo *et al*, 2009; Pivato *et al*, 2007). Reporting on corporate initiatives is increasing in the domain of public good and moral responsibility towards customers, employees and society, and establishment of standards of doing good as a corporate moral norm (Marić *et al*, 2014; Joyner and Payne, 2002). There is

an obvious shift from giving on behalf of the public good, which is understood as an obligation, to giving that is understood as a strategy (Besley and Ghatak, 2007).

Responsibility implies the likelihood that someone will be held responsible for own action or activity or will be subjected to a sanction in the form of certain norm (Bowen, 2013). Social responsibility is a very complex concept, as it includes the relation of man to society, market, the public, but also to himself. Bronn and Vrioni (2001) find that the application of the social responsibility concept means that a company must not only think about how to sell a product or charge service, but also how to make its business efforts useful and good for the society. Furthermore, as stated by Nan and Heo (2007), if company's tasks and goals, as well as messages and related activities are "sold" as "desirable" social behavior, such an initiative can be defined as an initiative of socially responsible behavior. The authors (Rakas, 2006; Đurić and Subotić, 2005; DeGeorge, 2003) agree that social responsibility is based on moral responsibility, since its main starting point is moral and social requirement to do good, or not to cause harm. In other words, what society demands from companies, in accordance with the general moral standards of behavior, is called social responsibility (Rakas, 2006). According to Djuric and Subotic (2005), each company has three main social responsibilities: to identify social expectations; to effectively respond to the changing demands of the market, and to adequately meet the needs and desires of customers.

The attention of most of the authors conducting research on food retail (Jones *et al*, 2007; Pivato *et al*, 2007; Maloni and Brown, 2006; Piacentini *et al*, 2000) is occupied primarily by issues related to social responsibility, particularly the behavior of employees in relation to potential buyers. Food retail is the most sensible area of social responsibility concept because customers in this sector need full support from sales staff in order to make the best purchasing decision (Anslemsson and Johansson, 2007). To make an adequate choice, buyers have to dispose of a lot of information concerning: the shelf-life of products, the chemical composition and nutrients (Maloni and Brown, 2006), whether the product is of organic origin (Pivato *et al*, 2007), technological process of production and the method of raw material processing, whether the product is healthy and safe for consumers, (Clarkson, 1995), etc. In particular, potential buyers pay attention to the interior, tidiness, cleanliness and hygiene of both seller and store (Jones *et al*, 2007; Pivato *et al*, 2007). On the other hand, theorists of business ethics (Balj *et al.*, 2011; Rakas, 2006; Đurić and Subotić, 2005; DeGeorge, 2003) emphasize as the most important indicators that appear in sales relationship between buyer and seller: two-way communication, cultural behavior, compliance with legal norms and ethical codes, etc.

Taking into account the mentioned theoretical aspects of the study, we conclude that the concept of social responsibility in food retailers is based on the following indicators: (1) honesty in sales transactions - means sincere appreciation, respect and meeting the needs and interests of customers. Fairness includes the shift from favoring certain manufacturers and their products, aggressive offering of promotional packages, false discounts, etc. (2) tidiness and hygiene of sales staff and store – implies the minimum requirements that sellers have to meet so that customers could feel safe in terms of their health (e.g., the use of gloves when working with meat products and fish, bread and bakery products, etc.), (3) well trained and informed sales staff - sellers must be well trained in order to provide potential buyers with accurate and timely information on the product, technical and technological production process, prices and payment methods, storage and preservation, the origin of raw materials (organic and/or non-organic), etc.; (4) fair relationship with customers - means respect for personality, attitudes and desires of customers. Sellers must regard customers as their peers and act with that notion in communication with them, and they cannot treat customers as a

means of achieving personal corporate goals (Kant, 1990); (5) interior cleanliness - refers to one of the basic elements in the concept of 7P marketing mix (Gummeson, 1994), which means that the interior and exterior of the retail facility should be nicely decorated, with clean lines, neat shelves, tables and the space where potential customers would feel comfortable; (6) cultural behavior - sellers must be polite to potential buyers, to have good manners and gestures, polite addressing and etiquette, and must be in sufficient number to allow quick, accurate and reliable service; (7) compliance with legal and ethical standards - means the seller's obligation to know its duties, responsibilities and authorizations, which are prescribed by law and ethical statute of the company.

On the basis of such indicators as social responsibility in food retail, there are two research hypotheses to test their real impact on consumers:

Null hypothesis **H₀** reads: there is equally represented correlation between these indicators of social responsibility. In other words, honesty in sales transactions, neatness and hygiene of sales staff and stores, well trained and informed sales personnel, fair attitude toward customers, interior cleanliness, cultural behavior and compliance with legal and ethical norms equally affect the concept of social responsibility in food retail.

Alternative hypothesis **H_{0(a)}** reads: there is no equally represented correlation between the observed indicators. Indicators differently affect the application of the social responsibility concept in food retail.

3. METHODOLOGY

Method

Chi-square test, proportion significance test, and P-value test (Sullivan, 2007) are selected for testing the set hypotheses. Proportion significance test is carried out as follows (Sullivan, 2007): (1) in first step, the calculated χ_0^2 value (see the formula in appendix 1) is compared with the appropriate table value $\chi_{(\alpha, m-1)}^2$ which is read from the statistical chi-square table for the risk of error $\alpha=0.05$ and $\alpha=0.01$ and number of degrees of freedom $r = m-1$ (Marić et al, 2014); (2) in next step, calculated values are compared - if $\chi_0^2 > \chi_{(\alpha, m-1)}^2$, null hypothesis **H₀** is rejected, while the alternative hypothesis **H_a** is accepted, and vice versa. *P*-value test is used to further confirm the testing of set hypotheses. *P*-value represents the minimum value of the probability of error of the first kind for which the null hypothesis is still rejected (Radnović *et al*, 2015). According to *P*-value test, if the calculated *P*-value is less than 0.01 there is strong evidence against **H₀**, if it ranges from 0.01 to 0.05 then there is moderate evidence against **H₀**, or just a hint of evidence if *P* is in interval from 0.05 to 0.10. There is no evidence against **H₀** for each *P* greater than 0.10 (Sullivan, 2007).

Participants

The research sample included the customers of six largest supermarkets operating in the market of the Republic of Serbia. Those are the supermarkets that recorded the highest turnover of goods and services according to the report made by Deloitte audit company (2013): Mercator (n=59), DIS (n=59), Idea (n=58), Univerexport (n=58), Delhaize Maxi (n=58), and Tempo (n=58). In total, 350 customers were interviewed, equally distributed by

supermarkets ($n_1=n_2=n_3=n_4=n_5=n_6$). The sample is stratified random sample and falls into the category of large statistical samples (Sullivan, 2007). The total research sample comprises 36.86% of male respondents ($n=129$), while 63.14% of respondents are women ($n=221$). The reason for this discrepancy regarding gender of respondents is the fact that men are less willing to participate in tests and less frequently buy in supermarkets. In terms of age structure of respondents, dominating group 41 to 50 years of age has a share of 34.00% ($n=119$), followed by group 31 to 40, with 27.71% ($n=97$), while the smallest number of respondents are older than 60 with participation share 5.43% ($n=19$). In terms of educational qualifications, three groups of respondents are equally represented: secondary level 31.71% ($n=111$), college level 35.14% ($n=123$), university level 33.14% ($n=116$). A detailed research sample is presented in the following table (*Table 1*).

Table 1 Research sample

Sample structure	Number of respondents	Frequency (%)
Gender		
female	221	36,86
male	129	63,14
Age		
20-30	69	19,71
30-40	97	27,71
40-50	119	34,00
50-60	46	13,14
over 60	19	5,43
Education level		
secondary	111	31,71
college	123	35,14
university	116	33,14
Supermarkets		
Mercator	59	16,86
DIS	59	16,86
Idea	58	16,57
Univerexport	58	16,57
Delhaize Maxi	58	16,57
Tempo	58	16,57

Source: author's calculations

Procedure

Interviewing of the customers of mentioned supermarkets was done in the period June-August 2015. The main set is divided into six groups (strata - supermarkets). In each stratum participants electronically received questionnaires with pre-defined responses (see the survey in the appendix 2). After general informative questions, participants were asked to indicate and rank the most important indicators of social responsibility in food sector in subject supermarkets (the sectors are: meat and meat products, fish and fish products, bread and baked goods, confectionary, dairy products). Base of e-mail addresses of respondents was obtained on the basis of data from supermarket. The answers are monitored, controlled and sorted based on *Google Form 2015* online application.

Data analysis

Processing and analysis of obtained was conducted in Microsoft Excel Office 2010 Data Analysis Program and SPSS 20.0 program for social sciences. Descriptive statistics was used for showing basic characteristics of the research sample. Testing of set hypotheses was made

through chi-square test of proportion significance, while the test *P*-values test was used for additional confirmation of tests carried out. The final ranking of the indicators was done on the basis of respondents' estimates.

4. RESULTS AND DISCUSSION

Respondents' understanding of the social responsibility concept in food retail is presented by the following table (Table 2) showing the indicators chosen by the respondents in the surveyed strata (supermarkets) as the most important factor of socially responsible behavior.

Table 2 Results of respondents' answers

Indicator/Supermarket	Mercator		DIS		Idea		Univerexport		Delhaize Maxi		Tempo		Total	
	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1	Num.	%	Num.	%	Num.	%	Num.	%	Num.	%	Num.	%	Num.	%
Honesty in sales transactions	16	27,1	17	28.8	17	29.3	16	27.6	19	32.8	19	32.8	104	29.7
Neatness and hygiene	9	15,3	8	13.6	10	17.2	8	13.8	10	17.2	6	10.3	51	14.6
Well trained and informed sales staff	12	20,3	10	16.9	8	13.8	8	13.8	9	15.5	12	20.7	59	16.9
Fair attitude towards customers	4	6,8	7	11.9	5	8.6	7	12.1	7	12.1	7	12.1	37	10.6
Interior cleanliness	8	13,6	8	13.6	11	19.0	11	19.0	8	13.8	6	10.3	52	14.9
Cultural behavior	7	11,9	7	11.9	4	6.9	6	10.3	3	5.2	6	10.3	33	9.4
Compliance with legal and ethical norms	3	5,1	2	3.4	3	5.2	2	3.4	2	3.4	2	3.4	14	4.0
Total	59	100,0	59	100,0	58	100,0	58	100,0	58	100,0	58	100,0	350	100,0

Source: author's calculations

Previous table illustrates the number (columns 2, 4, 6, 8, 10 and 12) and the structure (columns 3, 5, 7, 9, 11 and 13) of the respondents' answers by analyzed supermarkets. The last column (columns 14 and 15) presents summarized respondents' answers on the total sample. It is observed that the most frequent response, as the most important indicator of the social responsibility in food retail, is honesty in sales transactions 29.7% (n=104). Observed by strata, the mentioned indicator holds first place (Mercator 27.1%; DIS 28.8%; Idea 29.3%; Univerexport 27.6%; Delhaize Maxi and Tempo 32.8%). The interviewees identify honesty as sellers' social obligation not to manipulate and abuse their position solely in company's interest. The basic social and moral obligation of the seller is to sincerely appreciate, respect and meet the needs, desires and interests of customers, without favoring individual products and manufacturers, without putting pressure that "something" must be purchased, etc. (Balj *et al*, 2011; DeGeorge, 2003). The next ranked respondents' answer is the indicator – well-trained and informed sales staff 16.9% (n=59). These results confirm the fact customers highly appreciate certain, accurate, reliable, and not misleading information from sales staff. Sales personnel need to leave impression of trained and educated sellers. In this way, their choice of purchase is safe. Observed by strata, the indicator of training and information in three supermarkets holds second place (Mercator 20.3%; DIS 16.9% and Tempo 20.7%). Third and fourth place according to respondents' answers in the total sample are occupied by interior cleanliness with 14.9% (n=52) and tidiness and hygiene of store and sales staff with 14.6% (n=51). Observed by strata, distribution is identical to the total sample. These results indicate that in addition to a honest and well-trained seller, buyers imply that stores with food

and sellers themselves must be clean, neat, have to care about hygiene and proper handling, packaging and storage of food (especially for meat, meat products, fish and baked goods), etc. The next indicator is fair attitude towards customers. In the total sample, this indicator is represented with 10.6% (n=37). Observed by strata, share is the same as in the overall research sample (Mercator 6.8%; DIS 11.9%; Idea 8/6%; Univerexport, Delhaize Maxi and Tempo 12.1%). Respondents highly appreciate open, honest, and two-way communication in the act of buying and selling. Seller's social obligation is to avoid regarding buyers only as business objective (Balj *et al.*, 2011; DeGeorge, 2003; Kant, 1990). Indicators of cultural behavior are the least important to social responsibility with 9.4% (n=33) as well as compliance with legal and ethical standards with 4% (n=14). Respondents assume that acting according to and respecting the previous five indicators also implies cultural behavior and compliance with legal norms.

To describe the main characteristics of the research sample and a clearer presentation of the respondents' answers, the following table (Table 3) illustrates the most important descriptive statistic parameters (Mean, Standard Deviation, Standard Error, Median, Mode, etc.). The presentation is given by indicators of social responsibility in food retail.

Table 3 Descriptive statistics

Statistical Indicators	Honesty in sales transactions	Neatness and hygiene	Well-trained and informed sales staff	Fair attitude towards customers	Interior cleanliness	Cultural behavior	Compliance with legal and ethical norms
1	2	3	4	5	6	7	8
Mean	17.333	8.500	9.833	6.167	8.667	5.5	2.333
Standard Error	.558	.619	.749	.543	.803	.671	.211
Median	17	8.5	9	7	8	6	2
Mode	16	8	12	7	8	7	2
Standard Deviation	1.366	1.517	1.835	1.329	1.966	1.643	.516
Sample Variance	1.867	2.300	3.367	1.767	3.867	2.700	.267
Total	104	51	59	37	52	33	14

Source: author's calculations

Descriptive statistics enables insight into the average values, the frequency of respondents' responses and possible discrepancies in the responses observed by indicators. For example, indicator - fairness in the sales transaction is chosen by on average 17 respondents in each of the surveyed supermarkets as the most important indicator of social responsibility in food retail (M=17,333; SE=0.558; SD=1.366). On the other hand, only 5 respondents on average rated cultural behavior as the most important indicator of responsibility (M=5.5; SE=0.671; SD=1.643). The largest deviations from the average values are recorded for indicator – interior cleanliness (SE=0.803; SD=1.647) and well-trained and informed sellers (SE=0.749; SD=1.835).

Statistical chi-square test of proportion significance and *P*-value test are used for checking the hypotheses and discussion of the results of surveys. Conclusions on the acceptance or rejection of the hypotheses are made on the basis of risk of error $\alpha=0.05$ and $\alpha=0.01$. Testing is done separately for each of the observed strata, as well as for total research sample. The necessary data for testing and discussion are illustrated with the next table (Table 4):

Table 4 Testing of set hypotheses

Supermarkets	χ_0^2		P-value
	0.01	0.05	
1	2	3	4
Mercator	14.441	14.441*	.025*
DIS	14.028	14.028*	.034*
Idea	17.310*	17.310*	.008**
Univerexport	13.690	13.690*	.033*
Delhaize Maxi	22.621*	22.621*	.000**
Tempo	22.379*	22.379*	.001**
Total	95.121*	95.121*	.000**

Source: author's calculations

Note: * Null hypothesis H_0 is rejected (column 2 and 3)

* Moderate evidence against the Null hypothesis H_0 (column 4)

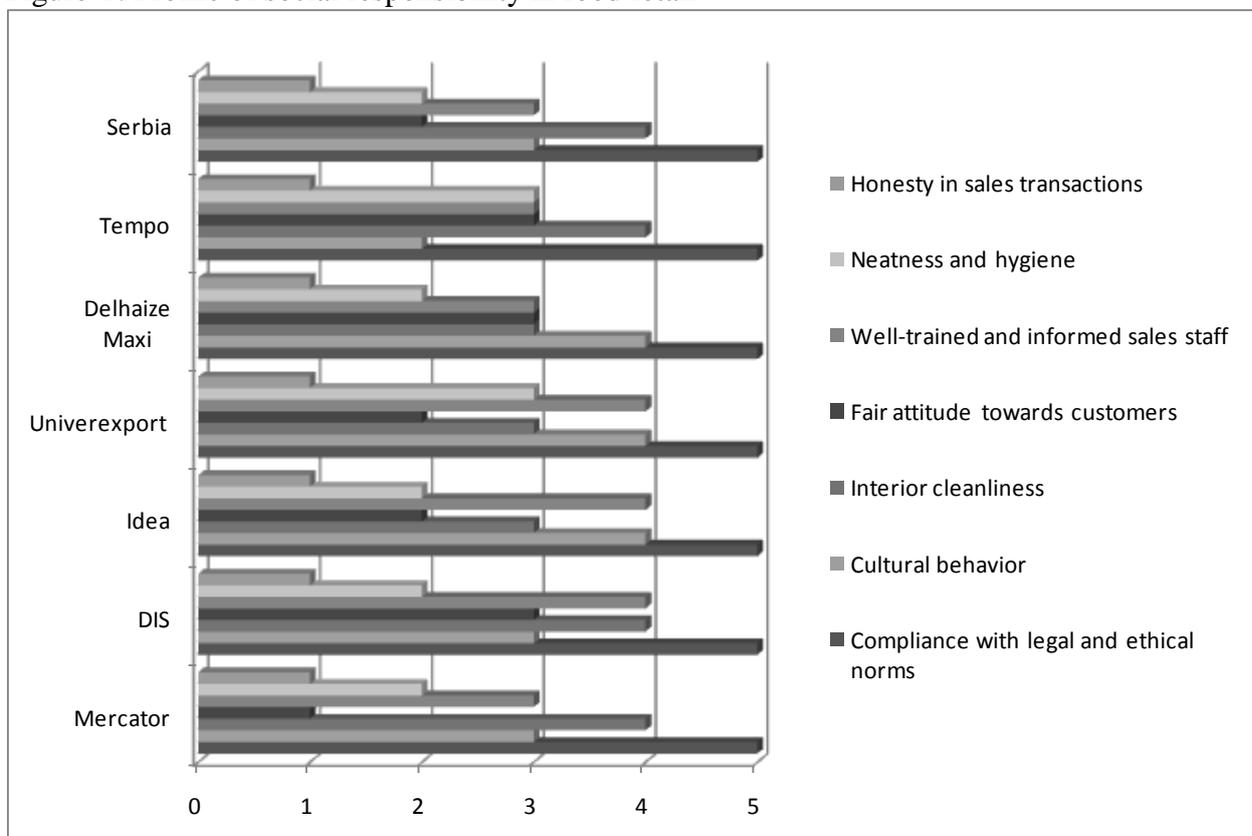
** Strong evidence against the Null hypothesis H_0 (column 4)

Null hypothesis H_0 indicates equally represented correlation between the mentioned indicators of social responsibility, such as: honesty in sales transactions, neatness and hygiene of sales staff and stores, well trained and informed sales personnel, fair attitude toward customers, interior cleanliness, cultural behavior and compliance with legal and ethical norms. The alternative to set hypothesis $H_{0(a)}$ is that these correlations are not equally represented, i.e. there are statistically significant differences in the impact of these indicators on social responsibility in food retail in the surveyed supermarkets. From statistical table of χ_0^2 - sequence, we can read table value $\chi_{(0,05;6)}^2 = 12,597$ for the level of reliability 95% or risk of error $\alpha=0.05$ and number of degrees of freedom $m-1 = 7$, and $\chi_{(0,01;6)}^2 = 16.812$ for the level of reliability 99% or risk of error $\alpha=0.01$. Table 4, columns 2 and 3 reads χ_0^2 values that are calculated based on the form (1) (see appendix 1). We conclude that Null hypothesis H_0 at the level of reliability 99% is accepted in three supermarkets (Mercator, DIS and Univerexport) since condition $\chi_0^2 < \chi_{(0,01;6)}^2 = 16.812$ is met, i.e. in three supermarkets (Idea, Delhaize Maxi and Tempo) Alternative hypothesis $H_{0(a)}$ is accepted since the condition $\chi_0^2 > \chi_{(0,01;6)}^2 = 16.812$ is met. At the level of the whole sample, it can be concluded that $H_{0(a)}$ is accepted, since the requirement $\chi_0^2 = 95.121 > \chi_{(0,01;6)}^2 = 16.812$ is met. On the other hand, the level of reliability of 95% (risk of error $\alpha=0.05$), null hypothesis H_0 is rejected in any of the observed strata $\chi_0^2 > \chi_{(0,05;6)}^2 = 12,597$, including the total research sample. Since $H_{0(a)}$ is accepted in three supermarkets (Idea, Delhaize Maxi and Tempo) for $\alpha=0.05$ and $\alpha=0.01$; alternative hypothesis is accepted for $\alpha=0.05$ in three supermarkets (Mercator, DIS and Univerexport), and if we look at the final result where we read that $\chi_0^2 = 95,121 > \chi_{(0,05;6)}^2 = 12,597$ and $\chi_{(0,01;6)}^2 = 16.812$; we can conclude that with the risk of error 5% and 1%, Null hypothesis H_0 is rejected, while Alternative hypothesis $H_{0(a)}$ is accepted, which means that there are statistically significant differences in the impact of indicators: honesty in sales transactions, neatness and hygiene of sales staff and stores, well trained and informed sales personnel, fair attitude toward customers, interior cleanliness, cultural behavior and compliance with legal

and ethical standards, to socially responsible behavior by food retailers. Acceptance of null hypothesis is further confirmed via the calculated P -value, which in total sample of employees is $p=0.000$, implying strong evidence against the null hypothesis H_0 , since $p=0.000 < 0.01$. je Using the same methodology, moderate evidence exists against the null hypothesis in three supermarkets, where $0.05 > p > 0.01$ (Mercator, DIS and Univerexport), while in other three supermarkets (Idea, Delhaize Maxi and Tempo) this evidence is strong against H_0 since $p < 0.01$.

Accepted alternative hypothesis on the existence of a statistically significant correlation between the tested indicators allows us to rank it and to define the final profile of social responsibility in food retail. Indicators are ranked based on respondents' answers (see survey questions q7-q13 in appendix 2) with rankings from 1 (weak impact) to 5 (maximum impact). Detailed scale for indicators ranking is presented by figure below (Figure 1).

Figure 1. Profile of social responsibility in food retail



Source: author

The diagram in Figure 1 presents a profile of social responsibility in food retail sector. By their norms and standards of conduct, sellers in supermarkets affect the implementation of the business strategy and business activities, and thus directly shape socially responsible behavior in the food retail sector of the Republic of Serbia. Presented model indicates ranking of the impact of each of the analyzed indicator. Detailed meaning of appropriate rank of the analyzed indicators is as follows: 5 - very significant impact; 4 - significant impact; 3 - moderate impact; 2 - relatively weak impact, 1 - weak impact. The presentation is first done at the level of the total sample for the Serbian market, and then it was analyzed individually by strata (supermarkets).

In supermarkets operating in the Republic of Serbia, as already stated, the most important standard of social responsibility of food retail sector is honesty of sales staff in sales transactions (rank 5). This also confirmed the previous results of related research conducted in the Serbian market (Marić *et al*, 2014; Vemić-Đurković *et al*, 2013), which emphasized honesty in attitude to customers as the most important moral and social standards of conduct for employees in the service sector. Similar research results are confirmed by foreign studies (Berber *et al*, 2014; Jones *et al*, 2007; Pivato *et al*, 2007; Becker-Olsen *et al*, 2006; Maloni and Brown, 2006; Piacentini *et al*, 2000).

The second most important indicator is well trained and informed sales staff (rank 4). Observed by strata, the indicator - well-trained and informed sellers is most appreciated in supermarkets Tempo, DIS and Merkator (rank 4), with lower significance (rank 3) for respondents in Univerexport, Delhaize Maxi and Idea. Every seller should have accurate information about perishability, shelf life, composition and nutritional value, production method and technology, the safest manner and place of storing, allergens, etc. (Jones *et al*, 2007; Pivato *et al*, 2007; Piacentini *et al*, 2000). Customers assigned moderate impact (rank 3) to indicators - neatness and hygiene of sales staff and interior cleanliness. The effect of this indicator is particularly pronounced when working with perishables (meat, meat products, milk, dairy products, bread and pastries, fish, etc.).

Attitude to customers, market and the public, and relations within the company between employees and managers and employees themselves, etc., are the cultural norms of behavior (rank 2), which in the opinion of respondents leave relatively little impact on the social responsibility concept. In short, basic moral obligation of the employee (seller) is to respect clients and behave politely (Balj *et al*, 2011; Rakas, 2006; DeGeorge 2003). As such, this indicator should be generally binding, and hence, the respondents believe that it should not be even contested. The weakest effect is exercised by legal and ethical standards (rank 1). These are written rules of conduct (laws, ethical codes), which are also generally binding, and therefore it is assumed that sellers comply with them, as they will be otherwise sanctioned.

Defined profile of social responsibility in food retail can help supermarket managers see which indicators are considered by their loyal customers as important for socially responsible behavior and ethical corporate behavior. Based on the obtained results, managers can focus on indicators that are neglected in their companies, train sales staff to facilitate acceptance, and thus create socially responsible workplace. Such company and the seller make profit in the form of loyal and satisfied customers.

5. CONCLUSION

The main purpose of conducted research was to demonstrate which indicators are considered as the most important indicators of social responsibility in food retail. The need for research of social responsibility in the food retail sector occurred as a result of the growing importance of retail, especially the food sector in the overall economic development of the Republic of Serbia, as well as the fact that it is the service sector, which by nature of its activities depends on quality of human resources.

The focus of the research was on determining whether the impact of the analyzed indicators of social responsibility is statistically significant and which indicators individually have the

greatest influence on the behavior of sales staff. Testing has confirmed alternative hypothesis $H_{0(a)}$ that there are statistically significant differences in the influence of honesty in sales transactions, neatness and hygiene of sales staff and stores, well-trained and informed sales personnel, fair attitude towards customers, interior cleanliness, cultural behavior, and compliance with legal and ethical norms. It was found that the most important indicators are honesty, well-trained and informed sellers, on one hand, and tidiness, hygiene and cleanliness of the interior on the other hand.

Based on the obtained results, supermarkets management may gain insight into indicators in food retailing regarded by customers as most important indicators of social responsibility. It is necessary to create such a business climate in the food retail sector so that subject indicators can be precisely defined and favored, to reward and accept acting according to indicators, and sanction any failure to act according to adopted concept. Such supermarkets will be recognized by the public, potential customers and markets as socially responsible, which will result in satisfied and loyal customers.

The results and confirmed hypotheses $H_{0(a)}$ provide the basis for further research, which should focus on proving the correlation between the concept of social responsibility and supermarkets' profitability. It is important to determine the degree of correlation between customers' satisfaction and loyalty and the concept of social responsibility. In addition, future analysis within the existing research should cover the impact of sub-groups within the analyzed groups of indicators. For example, the indicator - Honesty should examine the influence of custom, tradition and religion on standards of seller's conduct, or Neatness and hygiene should examine whether sales staff should wear uniforms, how food should be packed, etc.

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APPENDIX 1

χ_0^2 value is calculated based on the following form:

$$\chi_0^2 = \sum_{i=1}^m \frac{[f_i - f_i^{(t)}]^2}{f_i^{(t)}}$$

(1)

Where:

- f_i – original, empirical frequency
- $f_i^{(t)}$ - theoretical frequency
- m –the number of groups in the empirical sequence

APPENDIX 2

Questionnaire

q1 Respondent's gender

- M
- F

q2 Age group

- 20-30
- 31-40
- 41-50
- 51-60
- 61+

q3 Education level

- Secondary
- College
- University

q4 How important is the concept of social responsibility for the behavior of sales staff?

1 2 3 4 5

Min Max

q5 Which of the following supermarkets did you visit in the last month?

- Mercator
- DIS
- Idea
- Univerexport
- Delhaize Maxi
- Tempo

q6 Select the most important indicator of socially responsible behavior of sales staff in food retail.

- Honesty in sales transactions
- Neatness and hygiene
- Well-trained and informed sales staff
- Fair relationship with customers
- Interior cleanliness
- Cultural behavior
- Compliance with legal and ethical norms

q7 Rank your experience with honesty in retail transactions in the food sector.

1 2 3 4 5

Min Max

q8 Rank your experience with neatness and hygiene of sales staff in the food sector.

1 2 3 4 5

Min Max

q9 Rank how well-trained and informed is sales staff in the food sector.

1 2 3 4 5

Min Max

q10 What is the attitude of sales staff to customers in the food sector?

1 2 3 4 5

Impolite Polite

q11 Rank the interior cleanliness in the food retail sector for the specified supermarket.

1 2 3 4 5

Min Max

q12 Rank the cultural behavior of sales staff in food retail?

1 2 3 4 5

Min Max

q13 Rank the compliance of sales staff with legal and ethical standards in the food sector?

1 2 3 4 5

Min Max

DELIGHTING CUSTOMERS AND BEATING THE COMPETITION: INSIGHTS INTO MAINSTREAMING FAIR TRADE

Kristina Petljak; Ivana Štulec; Jakov Zrnčević
Faculty of Economics and Business, University of Zagreb, Croatia

Abstract

Fair trade is a movement that establishes alternative trading organisations to ensure minimal returns, safe working conditions and environmentally sustainable production, with increasing awareness and availability across a variety of products. One of the main goals of this movement is sustainability. There is a growing body of academic literature exploring the fair trade movement, but, to date, there has been little explicit discussion of the development of the fair trade market and fair trade consumption. Aim of the paper is to give definition of the fair trade and present development of the fair trade movement from its beginnings till nowadays. Further on, paper outlines positive sides as well as the deficiencies of fair trade movement, with development of top markets for fair trade food. Special focus of the paper is put on the current state of fair trade retailing and analysis of different retail markets with respect to the development of the fair trade movement and illustration of fair trade purchasing behaviour.

Results of conducted empirical research elaborate on the buying intentions and actual attitude-behaviour analysis on the fair trade market in the Republic of Croatia. Research results shed light on attitudes and consideration of ethical principles in fair trade purchasing behaviour from Croatian market.

Key words: fair trade, fair trade products, food retailing, consumers, Croatia.

1. INTRODUCTION

Fair trade can be defined as social movement that aims to protect the rights of workers on plantations and crops in developing countries and help the producers and cooperatives in the preservation of production of food products. One of the main goals of this movement is to promote sustainability and sustainable development and is often connected with ecology and ecological aspects of food production. Therefore, fair trade is a socially responsible movement whose primary task is to ensure a higher level of workers' rights and fair pay for workers. The movement was named just according to their primary objective and honest and fair payment products at the settlement price. There are a number of definitions of fair trade, but all have broadly common themes (*Jones, Comfort & Hillier, 2003*). *Nicholls (2002)* argues that the ultimate objective of fair trade is to maximise the return to the supplier rather than the margin of the buyer, within an agreed development structure. *Hira & Ferrie (2006)* define fair trade as a movement to integrate ethical principles in consumer decision-making.

The primary concern of fair trade consumers is that poor producers in developing countries are not getting a fair price for their products and that they continue to endure unacceptable working and living conditions (*Doran, 2010*). Fair trade was a small movement, which, by many accounts, started 20 years ago with the launching of *Max Havelaar* brand in the Netherlands in 1988 that introduced the idea of trade limited by ethical principles (*Hita & Ferrie, 2006*).

FINE, unformal association of four leading fair trade organisations (*International Fair Trade Organization – IFAT, Fair Trade Labelling Organizations International – FLO, Network of European Worldshops – NEWS* and *European Fair Trade Association – EFTA*) defines fair trade as partnership based on dialog, transparency and respect, which advocates for greater equality in international trade. Fair trade contributes to sustainable development offering better trading terms and ensuring rights of workers and producers, especially at the *South*.⁵ Fair trade organisations, supported by consumers, actively promote and raise awareness about its goals as to change rules of conventional international trade.

Fair trade principles are based on experience that fair trade organisations have collected through years. Principles are common to all stakeholders and refer to the development objectives of developing countries: 1) providing easier access to manufacturers of developing countries, 2) sustainable and equal trade conditions, where the price of fair trade products takes into account all relevant costs, including sustainable production, external factors, conservation of natural resources and the need for further investments in production, 3) capacity building and empowerment of producers, 4) raising awareness of general public and potential consumers about the need for social justice, taking responsibility and the possibilities of changing our daily routines, 5) negotiating long-term contracts with just and sustainable commitments and cooperation based on dialogue, transparency and respect.

The paper is organised as follows. After the introduction, definition, characteristics and historical overview of fair trade is presented. Next chapter is dedicated to the analysis of the most important fair trade markets, followed by insights from explorative, consumer-based research conducted in Croatia on the topic of fair trade consumption and purchase patterns. Data analysis and key findings from empirical study are presented, followed by research conclusions and implications for further research.

2. FAIR TRADE MARKET

The development of fair trade market was followed by increasing number of different fair trade products. First certified fair trade product was coffee, which was followed by other products, such as bananas, cocoa, sugar cane and many others. Most of the fair trade products are food products, especially within Europe, where food products represent about 60 percent of the retail turnover of all fair trade products (*Jones, Comfort & Hillier, 2003*). However, in recent years, the category of non-food products is progressively growing and it makes

⁵ Literature on Fair Trade often uses terms 'North' and 'South' to mark developed and emerging markets. North presents the consumer side of the supply chain and the main market of Fair Trade products, while the South presents the manufacturing side of the supply chain, or the origin of the majority of Fair Trade products (Africa, Asia and Latin America).

significant share of total fair trade sales. Fair trade non-food products are beauty products, clothes, textiles, gold and other precious metals.

Developed markets are the most important consumer of fair trade products, not only due to their importance and purchasing power, but also due to the fact that the fair trade movement received its foundations in these countries. It is important to consider several aspects why developed markets are the most important markets for fair trade products. As a key for understanding developed markets, first of all, it is necessary to get insight into what defines a developed economy and what characteristics a country must meet in order to belong to the developed markets. Except economic indicators (such as high gross domestic product, high average level of income, high level of industrialization, high standard of living and developed infrastructure), other, non-economic indicators also have high impact on the development of the market. The most important among them is the human development index, which is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having decent standard of living (*UNDP, 2015*).

Taking into account the above mentioned criteria for the classification of countries according to development, 26 countries in the world could be classified as developed markets. These countries belong geographically mainly to North America and the developed Western European countries, such as: Australia, Austria, Belgium, Denmark, Finland, France, Greece, Hong Kong, Ireland, Italy, Israel, Japan, South Korea, Canada, Luxembourg, Netherlands, Norway, New Zealand, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom. Mentioned countries participate in the total world population with only 13.61%, and in total gross domestic product with 60.68% (*IMF, 2014*). However these countries due to the greater degree of development and wealth and higher purchasing power are more involved in the world trade. These markets record the highest number of fair trade products from third world countries. *Table 1* shows estimated retail sales by country in the period from 2012 to 2013. The increase in sales and consumption of fair trade products on world market is constantly growing and each year more and more consumers are becoming increasingly aware of, and concerned about, the economic, ethical, social and, environmental issues associated with food production and they change their food-buying behaviour with growing demand for fair trade products (*Jones, Comfort & Hillier, 2003*).

Table 1 Estimated global retail sales of fair trade products in the period from 2012 to 2013

Country	2012 (in €)	2013 (in €)	Growth rate
Australia/NZ	188,045,618	189,244,894	1%
Austria	107,000,000	130,000,000	21%
Belgium	85,837,221	93,209,845	9%
Canada	182,638,667	173,179,745	1%*
Czech Republic	2,744,524	6,439,976	142%*
Denmark	71,836,714	81,080,778	13%
Estonia	1,061,938	1,756,251	65%
Finland	152,263,629	156,785,309	3%
France	345,829,378	354,845,458	3%
Germany	533,062,796	653,956,927	23%
Hong Kong	422,803	825,175	95%
India	-	641,890	n/a
Ireland	174,954,927	197,296,405	13%
Italy	65,435,059	76,355,675	17%

Japan	71,419,147	68,976,524	22%*
Kenya	-	51,064	n/a
Latvia	938,975	975,010	4%
Lithuania	846,027	842,258	0%
Luxembourg	8,319,391	9,628,859	16%
Netherlands	186,100,623	197,142,624	6%
Norway	65,450,834	68,441,095	9%*
South Africa	22,263,619	22,573,605	22%*
South Korea	1,989,631	3,814,805	92%
Spain/Portugal	22,274,635	23,663,783	6%
Sweden	178,951,375	231,668,646	29%
Switzerland	311,590,237	353,206,210	13%
UK	1,904,891,092	2,044,926,208	12%*
USA	53,116,711	309,131,263	501%*
Rest of world	47,487,290	49,657,508	5%
Grand Total	4,786,772,862	5,500,317,789	15%

*Note: * Growth rate is based on the percentage increase reported in the local currency, not the value converted into euros.*

Source: Fair trade International, Annual Report 2013/2014

According to the latest available data from *Fairtrade International (2013/2014)* consumers spent €5.5 billion on fair trade products in 2013, 15% more than in 2012. Consumers in established fair trade markets continued to increase their fair trade purchases, with sales in the UK breaking the €2 billion mark and steady growth across all European markets. Fair trade is currently in full expansion on the European market. This trend should continue to develop exponentially, driven essentially by the introduction of products from these sources into large and medium retailing systems (*PriceWaterhouseCoopers, 2001*).

Generally speaking, developed markets achieved 15% growth in comparison to the previous year, which suggests that developing markets could be in the saturation phase (in 2012, 21% growth was achieved compared to 2011). Respectively, it is necessary to focus more on emerging markets with untapped potential. However, it is possible that slow market growth is due to still inadequate marketing and promotional activities and consumer's awareness.

Emerging markets, as their name suggests, are markets which generate high rates of growth and development. They are interesting to investors because of low levels of investment and labour costs compared to developed markets. Certainly, the two most important countries that belong to emerging markets are India and China. These markets are the most important for the future development of fair trade regarding population size and this is particularly true for China due to a higher standard of living. *Table 1* shows that Czech Republic experienced skyrocketing growth in 2013 in respect to the 2012, which implies the influence of the Western countries. But even though the Czech Republic is classified as an emerging market, its characteristics with respect to the fair trade food are more similar to the developed markets. An interesting example among emerging markets is noted in Kenya because the country is primarily fair trade product manufacturer. As practice has shown so far, producing countries in the Third World and their products are mainly intended for export to developed markets. Kenya, is, a bright example of an emerging market which is primarily fair trade manufacturer (especially coffee), and at the same time it is listed as a country in which fair

trade products are consumed. Even though the volume of sales is small given the fact that the country has low GDP per capita and low income, this notion is encouraging.

3. RESEARCH METHODOLOGY

Growing number of broad variety of topics in the domain of fair trade are the evidence of the importance given to this research topic. So, *Jones, Comfort & Hillier (2003)* focus their research on the retailing fair trade products in the UK and conclude that fair trade products are stocked by most of the UK's major food retailers. They conclude their notion from UK market with thoughts that retailers will in the future need to intensify their marketing activities in order to become a more prominent element in the nation's shopping basket. *Stenzel (2011)* focuses her research on mainstreaming fair trade and explaining why major retailing companies have included fair trade product lines. Regarding fair trade consumer buying behaviour, researchers were mostly focused on fair prices for goods and services as well as working conditions (*Annunziata & Scarpato, 2014*), consumer willingness to pay for fair trade coffee (*De Pelsmacker, Driesen & Rayp, 2006; Carlson, 2008; Yang et al., 2012*) and fair trade ethical consumption (*Doran, 2010*). Further literature review identified other research streams such as focus on business practices of fair trade enterprises (*Mare, 2012*) and accountability within the movement (*Davenport & Low, 2013*).

Existing domestic literature seems to be scarce regarding fair trade research in Croatia. So far, *Petljak, Štulec & Vukmanov Šimokov (2012)* elaborated on the market development of fair trade retailing in Croatia. Their research results imply that fair trade products are present for eight years now. Mainly, they can be found in specialty food stores (fair trade food) and specialised stores with non-food products (fair trade cosmetics). Similar like in other countries, fair trade products can be found in the HORECA channel (primary fair trade coffee), which is increasingly growing, like in other countries in the region (e.g. Austria). Further on, retailers stated that one of the major obstacles to the further market development is lack of familiarity of Croatian consumers with fair trade products and with fair trade labelling.

The aim of our research is to provide a comprehensive overview of fair trade food-buying behaviour, as this is the first exploratory study on fair trade related consumer behaviour conducted in Croatia. The primary research was conducted in June and July 2015, through online questionnaire which was distributed via social network. The questionnaire was constructed as a mixture of close-ended, open-ended and rating scale questions about experience with and attitudes toward fair trade consumer behaviour. Altogether, the sample consisted of 252 respondents of which only 52 respondents were familiar with the concept of fair trade.

4. RESEARCH RESULTS ANALYSIS

4.1. Sample characteristics

Table 2 shows the respondents' characteristics; gender, age, education level, employment status, personal monthly income and monthly household income.

Table 2 The respondents' characteristics

	<i>n</i>	<i>%</i>
<i>Gender</i>		
male	12	23.1
female	40	76.9
<i>Age</i>		
18-24	14	13.6
25-34	28	53.8
35-44	4	7.7
45-54	5	9.6
55-64	1	1.9
more than 65	0	0.0
<i>Education level</i>		
no elementary school	0	0.0
elementary school	0	0.0
high school (3 years)	2	3.8
high school (4 years)	17	32.7
college or higher education	33	63.5
<i>Employment status</i>		
full-time employment	20	38.5
fix-term contract	7	13.5
part-time employment	5	9.6
student	15	28.8
self-employment	1	1.9
unemployed	4	1.6
<i>Personal monthly income</i>		
less than 1,200 HRK	4	7.7
1,201-2,000 HRK	6	11.5
2,001-3,500 HRK	9	17.3
3,501-5,500 HRK	10	19.2
5,501-7,000 HRK	10	19.2
7,001-9,000 HRK	6	11.5
more than 9,000 HRK	3	5.8
no personal monthly income	4	7.7
<i>TOTAL</i>	52	100.0

Source: primary research

4.2. Research results

Firstly, respondents were asked if they have ever heard about products with fair trade label. It comes as no surprise that majority of the respondents (57.9%) have never heard about products with fair trade label, as fair trade retailing in Croatia is still rather underdeveloped (Petljak, Štulec & Vukmanov Šimokov, 2012). Accordingly, only respondents familiar with fair trade products, 106 of them, were invited to answer following questions. In order to double check the familiarity of respondents with the meaning and the characteristics of the concept, respondent were asked to give the definition of fair trade. From 106 respondents, small number of respondents is familiar with the fair trade definition, meaning that they have

correctly defined fair trade label as '*the policy of direct buying from manufacturers from Third World countries by guaranteed prices*'. Further on, only 52 respondents stated that they buy fair trade food, which is not surprising due to the fact that Croatia is not developed market, but developing in sense of fair trade retailing.

Regarding the frequency of buying, fair trade buyers stated that they buy fair trade products few times a year (40.4%), once a month (26.9%), once a year (17.3%), several times a month (13.5%) or weekly (1.9%). Next, fair trade buyers were asked to assess how important are certain characteristics for them (price, assortment, quality, origin, availability of store, visual identity) while purchasing fair trade products. Characteristics were rated on a scale from 1 to 5, where 1 indicated the characteristics which are *completely unimportant* to the respondents and 5 indicated characteristics which are *extremely important*. Table 3 presents the research results of importance of individual characteristics in the fair trade product purchase.

Table 3 The importance of individual characteristics in the fair trade product purchase (% , \bar{x})

<i>Characteristics</i>	<i>not at all important</i>	<i>not important</i>	<i>neutral</i>	<i>important</i>	<i>extremely important</i>	<i>Weighted average</i>
<i>price</i>	3.8%	7.7%	28.8%	50.0%	9.6%	3.54
<i>assortment</i>	3.8%	5.8%	19.2%	67.3%	3.8%	3.61
<i>quality</i>	3.8%	3.8%	5.8%	44.2%	42.3%	4.17
<i>origin</i>	11.5%	5.8%	21.2%	53.8%	7.7%	3.40
<i>availability of a store</i>	5.8%	9.6%	21.2%	46.2%	17.3%	3.60
<i>visual identity</i>	13.5%	19.2%	30.8%	30.8%	5.8%	2.97

Source: primary research

It can be seen from Table 3 that all of the mentioned characteristics (*price, assortment, quality, origin, availability of a store and visual identity*) are quite important to the fair trade buyers. When comparing mean importance, measured by weighted average assessment, quality stands out as the most important characteristic buyers pay attention to when buying fair trade products, followed by assortment and store availability.

Table 4 Most frequently purchased fair trade products

<i>FAIR TRADE PRODUCT</i>	<i>n</i>	<i>%</i>
<i>bananas</i>	16	30.8
<i>coffee</i>	12	23.1
<i>tea</i>	16	30.8
<i>beauty products</i>	21	40.4
<i>jewelry</i>	4	7.7
<i>chocolate</i>	7	13.5
<i>sugar</i>	2	3.8
<i>other</i>	7	13.5

Source: primary research

Regarding bought fair trade product categories, Table 4 shows that respondents mostly buy fair trade cosmetic and beauty products, which does not come as a surprise given that three quarters of respondents in the sample were female. Tea and bananas are the second most popular product category and these products, together with fair trade coffee, can be found in specialised stores, as well as in retail outlets such as supermarkets and hypermarkets in

Croatia, especially in the City of Zagreb. Respondents were allowed to choose multiple product categories.

Results regarding place of purchase of fair trade products are shown in *table 5*. As expected, majority of the respondents buy fair trade food in specialised stores (46.2%), followed by modern retail outlets such as supermarkets and hypermarkets (36.5%), Internet (9.6%), HORECA channel (7.7%) and other distribution channels.

Table 5 Place of purchase of fair trade products in Croatia

<i>Place of purchase</i>	<i>n</i>	<i>%</i>
<i>Directly from manufacturer</i>	3	5.8
<i>Specialised stores</i>	24	46.2
<i>Supermarkets/hypermarkets</i>	19	36.5
<i>Internet</i>	5	9.6
<i>HORECA</i>	4	7.7
<i>Other</i>	1	1.9
TOTAL	52	100.0

Source: primary research

Further on, respondents' perception of the importance of certain characteristics regarding purchase of fair trade food was examined on a 1 to 5 scale, where 1 represented *not at all important*, 2 *not important*, 3 *neutral*, 4 *important* and 5 *extremely important* characteristic. Research results are shown in *Table 6*.

Table 6 Respondents' assessment of the importance of certain characteristics regarding purchase of fair trade food

<i>Characteristic</i>						<i>Weighted average</i>
	1	2	3	4	5	
	n (%)					
<i>wide product range</i>	1 (1.9%)	4 (7.7%)	21 (40.4%)	22 (42.3%)	4 (7.7%)	3.46
<i>availability of products</i>	1 (1.9%)	3 (5.8%)	8 (15.4%)	32 (61.5%)	8 (15.4%)	3.83
<i>products can be ordered via the Internet</i>	4 (7.7%)	10 (19.2%)	19 (36.5%)	16 (30.8%)	3 (5.8%)	3.08
<i>home delivery of products</i>	7 (13.5%)	12 (23.1%)	15 (28.8%)	16 (30.8%)	2 (3.8%)	2.88
<i>product quality is high</i>	1 (0.4%)	3 (1.2%)	6 (2.4%)	21 (40.4%)	21 (40.4%)	4.12
<i>the price/quality ratio is affordable for consumer</i>	1 (1.9%)	3 (5.8%)	7 (13.5%)	23 (44.2%)	18 (34.6%)	4.04
<i>in production, no pesticides or herbicides were used</i>	3 (5.8%)	4 (7.7%)	8 (15.4%)	18 (34.6%)	19 (36.5%)	3.88
<i>in production, no GMO technology was used</i>	3 (5.8%)	2 (3.8%)	13 (25.0%)	12 (23.1%)	22 (42.3%)	3.92
<i>product is organic</i>	2 (3.8%)	3 (5.8%)	19 (36.5%)	13 (25.0%)	15 (28.8%)	3.69
<i>product is produced with</i>	2	1	11	21	17	3.96

<i>a responsible attitude towards the environment</i>	(3.8%)	(1.9%)	(21.2%)	(40.4%)	(32.7%)	
<i>workers' rights are respected</i>	0 (0.0%)	2 (3.8%)	6 (11.5%)	18 (34.6%)	26 (50.0%)	4.31
<i>by purchasing products, developing countries are helped</i>	1 (1.9%)	2 (3.8%)	11 (21.2%)	22 (42.3%)	16 (30.8%)	3.96

Source: primary research

Results show that respondents find majority of characteristics important or extremely important when buying fair trade food products. Respondents find respecting workers' rights as the most important characteristic of fair trade food with weighted average assessment of 4.31. Second most important characteristic with average assessment of 4.12 is high product quality and third with average assessment of 4.04 is affordable price/quality ratio. As the least important characteristics respondents state home delivery of products (average assessment of 2.88) and possibility of online purchase (average assessment of 3.08) indicating that fair trade food buyers are more socially conscious and do not care as much about their personal comfort.

It comes as a surprise that respondents are somewhat indifferent to the request that fair trade products are organic. However, respondents stress the importance of producing the product with accordance to the best environmental practices while respecting workers' rights in third world countries. Also, large share of respondents (42.3%) find helping developing countries through fair trade product purchase important.

5. CONCLUSION

Fair trade can be defined as organised social movement and market-based approach whose goal is to help producers from Third World countries to obtain better trading terms and to promote sustainability. As the attention toward sustainability, environmental protection and social issues has risen, fair trade concept has developed and fair trade products are gradually gaining importance in global retailing.

In this context, the aim of the paper was to present fair trade market development and to review rather scarce literature on fair trade retailing and fair trade consumer behaviour. An empirical research among Croatian consumers was conducted as to assess degree of familiarity with fair trade concept and to determine key characteristics of fair trade buying behaviour. Results show that more than half of respondents have never even heard of fair trade, while only one fifth of respondents actually buys fair trade products. Majority of fair trade buyers are females, age between 25 and 34, highly educated and employed with personal monthly income between 3,501 and 7,000 HRK. Majority of buyers still does not buy fair trade products on a regular daily basis but several times a year. When making buying decision, fair trade buyers give highest importance to quality, assortment and store availability. Majority of fair trade purchases take place in specialised stores and large food stores such as supermarkets and hypermarkets, while most frequently bought fair trade products include beauty products and food, namely bananas and coffee.

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THE REVIEW OF CORPORATE RESPONSIBILITY POLICIES IN FOOD RETAILING

Tonći Lazibat; Tomislav Baković; Mate Damić
Faculty of Economics and Business, University of Zagreb, Croatia

Abstract

Over the past few years a rise in the awareness of the importance of corporate social responsibility can be seen in all segments of the economy. There are multiple reasons that account for the rise of this trend, among others: growing environmental awareness, company image building, customer relationship building, and in some industries also cost reduction. The companies in the retail sector have started to apply the principles of corporate social responsibility, and this can be seen especially in the food retail sector. There have been a number of campaigns conducted around the world with the goal of warning the consumers of the importance of rational food purchasing and food waste management.

This paper will analyze how the food retailers are currently managing their corporate social responsibility processes. A case study will be used to show how the corporate social responsibility processes are currently being conducted in the Croatian retail sector and in the top nine international food retailers. The findings will be compared to propose the best solutions for a better implementation of corporate social responsibility strategies and greater retailer social responsibility. The findings of the paper are especially interesting for the management of the food retail companies in charge of responsibility.

Key words: food retail, corporate social responsibility

1. INTRODUCTION

Food retail is an important part in the offer of each retail chain. Retail is also a vital sales channel for the whole food industry. The food related processing industry in Croatia employees around 0,3% of the working population and generates up to 2,8% of the national GDP. Retail is also an important part of the Croatian economy, especially the food retail sector which employees around 16 percent of the working population and generates 10% percent of the national GDP.(Croatian bureau of statistics, 2014)

A number of disruptive innovations and changes have entered the food retail sector over the past few years. The new trends of travel retailing, mobile retailing, faster retailing, experience retailing and innovative retailing have changed the complete industry and will change it even more in the near future. More than one billion people travel each year and they spend nearly a trillion US dollars while doing so, the products need to be delivered to the customers as soon as possible, eliminating any mediators in the process, the mobile retailing sector is expected to account for more than 640 billion US dollars in turnover over the next few years, and the

whole customer experience regarding shopping is becoming a vital part of the whole retailing process. (Deloitte, 2015)

The appearance of new trends has sharpened the competition between retailers, and with the ever growing consumer awareness the perceived image of the company as well as its key values are becoming increasingly important for the perseverance of the retailers core business. Therefore, implementing the right corporate social responsibility strategies and setting the right goals regarding sustainability have never been more important.

The purpose of the paper is to explain the retailers approach on CSR, outline the CSR strategies and goals of the largest international retailers and compare them with CSR in Croatian retailers. At the end a conclusion regarding the similarities and differences between the two, and possible space for improvement will be drawn.

2. CORPORATE SOCIAL RESPONSIBILITY IN FOOD RETAIL IN CROATIA AND INTERNATIONALLY

There are a number of different definitions of the corporate social responsibility since there are many ways in which a company can be socially responsible and contribute to the society.

Khaury et al. (1999) state that CSR is the overall relationship of the corporation with all of its social stakeholders. These include customers, employees, communities, owners/investors, government, suppliers and competitors. Elements of social responsibility include investment in community outreach, employee relations, creation and maintenance of employment, environmental stewardship and financial performance.

European Commission (2001) defines CSR as “a concept whereby companies integrate social and environmental concerns in the business operations and in their interactions with their stakeholders on a voluntary basis”

The World Bank (2004) defines CSR as: ...the commitment of businesses to contribute to sustainable economic development working with employees, their families, the local community, and society at large to improve the quality of life, in ways that are good for business and good for development.

Lee and Kotler (2005) define it as is a commitment to improve community well-being through discretionary business practices and contributions of corporate resources.

Corporate social responsibility has become a relevant topic in all sectors of the economy. Companies around the world tend to implement socially responsible business principles at a high cost of time and resources spent on the implementation. It has also become a means to building a competitive advantage, especially for small and medium enterprises which are usually more flexible in adapting to the changing conditions on the market and new requirements from the customers.

Bhattacharya and Sen (2001) have spoken about the over usage of the term corporate social responsibility while sometimes overthinking the business decisions through the CSR can lead to bad outcomes. Although there can be some argument about the real impact of the CSR on business it is widely agreed that that CSR is something all companies should tend to

implement in their business processes, while bearing in mind the impact on companies policies on employees, customers and the environment.

Comfort et al. (2005) say that one of the most important issues regarding the CSR is the motives behind it. A number of phases in the development of CSR strategies can be identified. At first, there were only some basic outputs to the customers regarding the CSR within the company, but with the development of social auditing and growing public and peer pressure it became a vital issue for a company's image and core business. The initial ways of promoting CSR were usually philanthropic, and a company's social responsibility was measured by its donations to charities. Today the situation has changed dramatically and CSR is playing an important role as a strategic PR and marketing tool for a large share of international companies.

The world's largest retail chains invest a large amount of resources in their CSR strategies. According to Whooley (2004) there is a number of key CSR issues that can be identified and separated under four most important headings; community, environment, marketplace and workplace. When discussing community it is the first important place where companies show their CSR goals. Retailers usually help the communities directly with donations to charities and NGO-s. Environmental issues have become an important issue over the past few decades and the implementation of CSR strategies regarding the environment is based on the efficient consumption of energy and better waste management. Care for the employee and the workplace has also become an important issue, and the implementation of a successful CSR strategy should take into account all of these areas and especially take care of the marketplace since it poses a great risk for a company's reputation and image.

According to Eadie et al. (2000) managers in the retail industry see CSR primarily through the benefits that their companies will gain through its implementation, and not through philanthropy and helping the community. The research has also shown the importance of proper communication regarding the implementation of CSR strategies to the public. If the customers are not aware of the CSR strategies being implemented by a company then there is no gain to be had in the customer relation. If a company tends to put a lot of weight on CSR, it will usually have a positive impact on its image and relationship with the customers, but also expose the company to a greater reputation risks should it fail to uphold the high standards it has set.

However, the question remains, are CSR strategies introduced and upheld primarily for the benefit of the society and understanding the importance of a company's role in social development or is it the potential rise of profits that stands to be had from the implementation of CSR and a better image of the company. From the management's perspective there are two main motives behind the development of CSR strategies: profit and social marketing. (Babiak and Trendafilova, 2011)

The retail industry is one of the leading industries in the implementation of socially responsible principles. Most of the world's largest retailers publish detailed annual CSR reports and communicate their socially responsible practices to their customers as an important part of their corporate culture. Customer skepticism towards the honesty of the proclaimed CSR strategies is still an important issue that the retailers are trying to address. When discussing food this is done primarily with the detailed declarations on the food products stating their country of origin, treatment and additives present in the food. (Leonidou and Skarmas, 2013)

Hartmann (2001) states that the bigger the retailer is the more it invests in innovation and development and promotion of CSR. This can be explained with the cost and benefit ratio of investment in CSR. Retailers with large networks of shops present in more than one country have a large turnover and invest large amounts of their turnover in the marketing of their products, and have to adapt their marketing strategies locally. Investment in CSR however has a greater impact on the company's image comes at a relatively lower price and usually doesn't need to be locally modified. Therefore, large retailers tend to have a more proactive approach and anticipate the regulatory changes regarding environmental policies, food security and third world products and use them as an advantage in building their reputation and positive public image through CSR strategies.

The Croatian retail sector is mildly concentrated, with the top ten retailers adding up to around 80% of the market share. The biggest retailers on the national level are Konzum, Plodine, Lidl, Kaufland, Billa, Spar and Tommy. (Croatian competition agency, 2013)

Table 1: Market share of the top 10 retailers based on their yearly turnover at the local retail market in the Republic of Croatia

	Retailer name	Market share in 2012 (in %)
1	Konzum	25 – 30
2	Plodine	5 – 10
3	Lidl	5 – 10
4	Kaufland	5 – 10
5	Mercator	5 – 10
6	Tommy	5 – 10
7	Spar	< 5
8	Billa	< 5
9	Dinova – Diona	< 5
10	Studenac	< 5
	Market share of the top 10 retailers	Around 80%
	Others	Around 20 %

Source of the table: Croatian competition agency (2013)

Table 1 shows the market shares of the largest Croatian food retailers in 2012. The CSR strategies that are publicly available and conducted by the top ten Croatian retailers shown in table 1 have been analyzed in this paper. It is important to note that since 2012 Mercator has been taken over by Konzum thus increasing their market share and consolidating the market, but Konzum has also had to sell 96 retail shops at the order of the Croatian competition agency. Also, the owner of Diona has declared his withdrawal from the retail sector and other retailers have since taken over most of its retail shops.

The retail sector in Croatia is one of the largest sectors in the economy. It employs roughly 16% of all employees and accounts for around 25% of all companies registered in Croatia. The combined retail turnover accounts for 10% of the national GDP. (Croatian bureau of statistics, 2014) According to Anić et al. (2012) the total turnover of the retail sector in 2011 was around 3,7 billion euros, with Konzum accounting for 1,1 billion, Plodine 270 million, Mercator 260 million, Kaufland 250 million, Lidl 210 million, Tommy 140 million, Spar 155 million and Billa 185 million.

The ownership structure of the Croatian retail sector is combined between domestic retailers and international retail chains. Two retailers with the largest market share Konzum and Plodine are locally owned, while Kaufland and Lidl are owned by Schwarz group, a German based retail group that is one of the largest retailers in the world. International retail chains have been present in Croatia for a number of years and have started to expand on the market steadily and continuously so a growth in their market share is to be expected in the near future.

The approach to CSR varies; while some retailers have a detailed and publicly announced CSR strategy others don't even mention it as a part of their corporate culture. The review of the CSR strategies of the selected Croatian and international food retailers has been done through the analysis of publicly available information. Of the top ten Croatian retailers, Konzum, Kaufland and Lidl have publicly proclaimed CSR strategies and goals set up on their website. The goals and the means to achieving them are explained in more or less detail, depending on the retailer. This information was gathered and it provided for a case study of the most common CSR goals set by the food retailers, the actions that the retailers are conducting to achieve them and the differences between the retailers regarding their approach to CSR.

Konzum, as the largest Croatian retailer has set ecology as the primary goal of their CSR strategy. Thus, the company has implemented the environmental management system certified by the international standard ISO 14001: 2004, and the CSR strategy is oriented towards the advancement of business processes within the company. Two goals set by the company are energy efficiency and waste management. As an example all the catalogues are being printed on recycled paper, a new truck route management system has been implemented to minimize the CO₂ emission, the cleaning machines for the supermarkets have been replaced with new machines that don't use chemicals whatsoever and reduce the water consumption by 70%. Konzum is also the largest used packaging buyer in Croatia. The second area which the company stresses out as an important one in the views of its CSR is the donations done to charities.

Lidl, a member of the Schwarz group, puts weight on the relationship between the company and its employees, business partners and buyers. Regarding the implementation of CSR in business processes, quality assurance and security of each product is stressed out as the most important thing the company does to justify the consumer trust. A donation program "More for community", in which Lidl employees nominate and choose local charities eligible for the company's donation has been set up as an external CSR measure.

Kaufland, another member of the Schwarz group, excels itself by promoting sustainability in environmental issues and promoting local products with its program "Out of love for Croatia – everything you love". The products sold in Kaufland stores thus promote the sustainable grow of cocoa plants, responsible use of the world's forests and sustainable fishing. The company financially aids the Rainforest alliance and Healthy seas. The Rainforest alliance is an NGO promoting the protection of biological diversity, soil, water, natural habitat as well as the rights of workers and their families in the third world countries. Healthy seas is an initiative that recycles the discarded fishing nets thus reducing the sea pollution and using the recycled materials for the production of new products.

Other Croatian retailers don't have a proclaimed CSR strategy but tend to help the community through philanthropic activities which are usually connected with a relevant and current issue in the society.

The large international food retailers usually operate in more than one country and have a wide assortment of products that are not food related. Over the past few years a number of innovations in the food retail industry have been implemented, such as part prepared or premade meals, home delivery and the ever growing use of IT technologies that are transforming the retail sector. In the ever changing global environment and growing customer awareness CSR has indeed become vitally important for the survival and competitive edge of the food retailers.

According to Deloitte the top 10 international food retailers are mostly U.S. based (Wal-Mart, Costco, The Kroger and Target) with three retailers from Germany (Schwarz, Metro and Aldi) and one from the U.K. (Tesco). The ninth largest retailer, The Home Depot is not a food retailer, its core business are home improvement and construction products.

Table 2: Top 10 retailers in the world

	Name of company	Country of origin	2013 net retail revenue (US \$ mil)	# countries of operation 2013
1	Wal-Mart Stores, Inc.	U.S.	476, 294	28
2	Costco Wholesale Corporation	U.S.	105,156	9
3	Carrefour S.A.	France	98,688	33
4	Schwarz Unternehmens Treufhand KG	Germany	98,662	26
5	Tesco PLC	U.K.	98,631	13
6	The Kroger Co.	U.S.	98,375	1
7	Metro Ag	Germany	86,393	32
8	Aldi Einkauf GmbH & Co.	Germany	81,090	17
9	The Home Depot, Inc.	U.S.	78,812	4
10	Target Corporation	U.S.	72,596	2
Top 10			1, 294, 698	
Top 250			4, 354, 562	
Top 10 share of Top 250 retail revenue			29,7 %	

Source of the table: Delloite (2015)

Table 2 shows the net retail revenue and number of countries of operations for top ten international retailers in 2013. The CSR strategies conducted by the top ten international retailers shown in table 2 have been analyzed in this paper, with the exception of The Home Depot which is not a food retailer.

The world's largest retailer Wal-Mart runs a very detailed report on CSR. In 2015 it published its eight Global responsibility report. The CSR strategy conducted by the company is concentrated around three goals: job opportunity, sustainability and community. The first goal is focuses on accelerating job mobility within the company, the Women's empowerment Initiative and acceleration of integration of veterans into civilian life. The goal of all these initiatives is to raise awareness of the underrepresented groups of employees and help the employees that come from poor socioeconomic backgrounds. The goal of sustainability is focused on reducing waste done by the Wal-Mart operations worldwide as well as advancing

towards the goal of 100% renewable energy used up by Wal-Mart. When talking about community the CSR politics are oriented on disaster relief, especially for the underdeveloped countries, and encouraging associate philanthropy. Wal-Mart has spent more than 1,47 billion US dollars during 2015 on the goals proclaimed by their CSR strategy and explained it in detail in their yearly CSR report.

The French retailer Carrefour has stated out seven commitments based on the questions set out in the international standard ISO 26000 defining Corporate Social Responsibility (CSR). The commitments are the protection of the environment and biodiversity, protection of human rights, control of the quality and sourcing of the assortment, and the investment and development of local community. Carrefour doesn't have a detailed CSR report as Wal-Mart and is in that context more similar to Croatian retailers that publish their generally proclaimed goals and strategies instead of annual reports.

The owner of Lidl and Kaufland retail brands, Schwarz group implements a global CSR strategy that has the same goals in each country in which the brands are present, and do not publish a yearly CSR report.

Another publication on the corporate social responsibility activities is the Tesco and society report. Three main goals proclaimed by the UK based retailer Tesco are the reduction of food waste, the improvement of human health, primarily human obesity and all accompanied health problems and creating opportunities for young people. The approach and goals of Tesco are somewhat different than that of the competition. While food waste management is an important issue to all retailers, Tesco stresses it out as a key goal. Closing the food waste management cycle by using food waste as animal feed stock or recovering energy from it is becoming an important issue and it can be expected that all retailers will be putting more and more effort into sustainable food waste management.

Kroger Co. also publishes a yearly sustainability report consisted of four sub reports regarding the company's social, economic, supply chain and environment goals. In terms of social goals Kroger makes substantial donations to fight hunger, especially in terms of perishable food, thus reducing the food waste, supports women's health, military veterans and their families and supports local NGO-s. When it comes to goals regarding the supply chain they are concentrated on cooperating with local organic suppliers thus helping the local community as well as offering products that benefit the human health. Environmental goals are achieved internally through the reduction of energy consumption and waste created by the Kroger operations.

The second largest German retailer Metro AG focuses on sustainable work conditions for the employees, sustainability in the supply chain, reduction of the CO₂ emissions in the processes of transport and warehousing and proper disposal and recycling of packaging as parts of an internal CSR strategy. Customer safety and product quality are the most important goal of Metro's external CSR strategy as well as the social engagement through the support of food banks and international emergency aid projects.

Aldi, the third largest German retailer focuses its CSR on six main pillars; consumers, suppliers, resources, operations, employees and communities. Each of the pillars has a number of focus areas. Therefore, the focus areas for the consumers are product safety, healthy lifestyle and promoting responsible drinking. Suppliers working with Aldi need to maintain high social and environmental compliance standards to ensure ethical working

conditions and a fair supply chain. All the resources used by Aldi or their suppliers need to be sourced in a sustainable way, and this is especially important for the products with negative environmental impacts, such as the production of cocoa or palm oil. The environmental issues are being addressed by trying to reduce the environmental impact of the company's operations through the maximization of the energy efficiency, reduction of CO2 emissions and better waste management. Regarding the community, the company aids charities and NGO-s financially and in donations of products.

The tenth largest international retailer Target has seven areas of commitment; education, sustainability, health and wellbeing, responsible sourcing, safety and preparedness, employees and volunteerism. Most of the Target's CSR goals are internal, with the environmental sustainability and promoting healthy lifestyle being customer oriented.

2. 1. Comparison of the CSR strategies implemented by retailers internationally

The Croatian food retail sector is still dominated by locally owned retailers, with Kaufland and Lidl, members of the Schwarz group as the representatives of the largest international retail chains. Since the Schwarz group has an international CSR strategy the same applies on Lidl and Kaufland in Croatia.

When comparing the Croatian retailers with their international counterparts it can be seen that CSR strategies in international retailers are more thoroughly elaborated. Out of the top ten international retailers, Wal-Mart, Tesco and Kroger publish a yearly corporate social responsibility report in which they elaborate in detail the measures and policies conducted by the company while others have a proclaimed CSR strategy and the goals they are striving to achieve.

It is difficult to indistinctively state all the differences between the CSR strategies in the Croatian and international food retail sector. It can be said that the US and UK based retailers have a more proactive approach to the CSR. They present their CSR strategies and their results through extensive publications. The publications show in volume the amount of resources, turnover and employee work invested into achieving each of CSR goals and the progress that has been made on achieving each of these goals. The goals of the US and UK retailers CSR strategies are more clearly defined and focused on solving a distinct problem.

On the other hand, other European retailers, including the Croatian retailers focus on the education and mobility of their employees, especially the youth, empowerment of the underrepresented groups of people, environmental protection through energy efficiency and reduction of waste and food waste generated by their operations, assurance of quality and sourcing of their products and donations to NGO-s and local communities. But these goals are somewhat more general and are not thoroughly elaborated and explained.

It can also be said that the CSR in Croatian retail is in a different phase than the CSR of the international retailers. Some of the Croatian retailers don't have a publicly proclaimed CSR strategy but instead support local charities and NGOs while others have CSR strategies that are being communicated to the customers. The features that they have in common are their internal orientation and philanthropy as an important part of the CSR strategy. The CSR strategies of Croatian retailers are environmentally conscious and put a focus on energy efficiency, recycling and insurance of quality and sourcing of their products but it can be said in general that they are more of a set of principles than concrete problem solutions.

3. CONCLUSION

CSR is a very important topic in the food retail sector. The issues that all retailers stress out in their CSR strategies are the care for the environment, employees, customers and the community. Each retailer has a slightly different approach to the issues, and it can be concluded that large international retailers have more concrete goals and that their CSR strategies are more specific than those of the Croatian retailers.

The approach to the CSR in the Croatian retail sector is uneven, and while some retailers can be used as examples of good CSR practice others don't have a publicly declared CSR strategy. When talking about international retailers it can be noted that the retailers coming from Anglo-Saxon countries tend to have a more proactive approach to CSR issues and communicate in detail all of the actions conducted in order to achieve the goals set by their CSR strategy.

The limitation of using publicly declared CSR strategies for a case study is the possibility of important information being unavailable. Also, the information provided by the retailers is quite uneven. While some retailers publish detailed yearly reports on their CSR others provide only the basic information.

A better way for collecting more important information about the retailer's CSR would be a management survey. The benefits from a company's CSR strategy come from it being publicly announced and communicated to the customers. Thus it can be expected that the survey response rate would be high enough to explain a retailer's approach to CSR in more detail than by using the publicly published information on CSR.

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POLICIES AND PRACTICES OF CONSUMER PROTECTION IN FOOD RETAILING IN THE REPUBLIC OF SERBIA

Jelena Končar; Ljiljana Đ. Stanković; Sonja Leković
Faculty of Economics in Subotica, University of Novi Sad, Serbia

Abstract

The development of modern trade and retailing in general, is a complex and important task in the accession process of the Republic of Serbia in European Union. One of the most important elements of this development is harmonization with European legislation in all areas of consumer protection, the adoption of legal frame and the achievement of full practical implementation. However, the priority is the area of food safety. By that, it is essential that all participants in marketing channel in food sector, from production to retailing, are adequately trained and aware of their responsibilities. The Republic of Serbia has been working on providing high European standards of food safety, which should contribute to the position of Serbian consumers, economical and agricultural development, and export promotion on the single European market. Very important role have already significantly concentrated retail sector and modern retail chains which operate in the Serbian market. Retailers are becoming a strong barrier for unsafe products and assure safety and quality of products for consumers. The subject of this paper is to analyze the achieved level of policy development and practice of consumer protection in the field of food safety in the Republic of Serbia compared to European standards. Special emphasis is on practice and the contribution of retailers dealing with food retailing. The aim is to define the remaining priority activities that would as soon as possible enabled significant progress in bringing the single European market in this area.

Key words: marketing channels, retail, consumer protection, food safety, European legislation

1. INTRODUCTION

The trade revolution, whose main feature is retailers' strengthening power during last twenty or more years, is being characterized by commercialization in the European Union and other developed economies. Thanks to that, the structure of retailing has been transformed by the representation starting from a large number of small and independent retailers, to the existence of dominant role of strong national and multinational retailers. By strengthening their market share and market power, retailers increase the concentration of the retail market. Retailers individually become stronger while growing part of the market goes into the hands of fewer retailers, which are becoming "gatekeepers" for access to consumers in marketing channels (Dobson et al., 2003).

Retailers in most product categories today, particularly in the area of food and other daily use consumer products, significantly exceed the size of the manufacturer whether it comes to sales revenue, assets, share capital and the like. They become the main drivers and leaders of

development of marketing channels, trade and markets in the national and international context. Retailers intensively internationalize operations passing through comprehensive restructuring processes by introducing modern technological innovations and requiring various quality standards from their suppliers.

It could be said that modern retailers are those who established the modern criteria of quality, especially when it comes to food. Aware of their responsibility for safety, particularly for food products offered to consumers on their shelves, retailers are setting to their suppliers (manufacturer) considerably more demanding conditions than those defined by legal framework. The large retail chains in the intense struggle for trust and loyalty of consumers nowadays, require respect (introduction), primarily in widely applied international standards of control of food safety, as well as quality level of manufacturer.

Today, retailers inevitably require the application of the International Food Standard and other standards recognized by the Global Food Safety Initiative (GFSI), an organization whose activities are stimulated by the participants in the market, traders and manufacturer. Moreover, it provides tracking accuracy and product quality at every stage of the traffic and locates weak points in marketing channels, contributing to the spread of security and total protection of consumers in all markets in the world in which these retailers operate.

It is essential that modern retailers carry their demands to the respect of criteria for safety and quality, of which they do not differ, to its further expansion in less developed markets. In that manner, retailers are contributing to the intense development of consumer protection and their safety in the markets where these processes are progressing slowly and where the market and the institutions of the system would not be able to afford such an instrument to their citizens. From vantage point of retailer, in that way retailers provide increasing market share and growing strength in all markets in which they operate.

With the increasing market share of a small group of retailers, manufacturers themselves are becoming more dependent on large retailers. Their position in the marketing channels, and particularly in relation to retailers, is becoming weak and the manufacturers are putting more and more effort to invest precisely in building relationships with retailers, and less with consumers.

Using such a situation, the modern retail undertakes numerous functions, which were traditionally functions of wholesalers and manufacturers. By that, retailers take the dominant position in the marketing channels, as well as the leading position in the development of relations with consumers. In that way, retailers take a key responsibility for consumer protection and their welfare.

One of the most striking examples of this is the development of products with the private label by retailers. In that situation, retailers are no longer only agents selling manufacturers' brands: they are now also their competitors (Amrouche and Zaccour, 2009). Products with the private label strongly compete for a place on the shelves of retailers, whereby the quality and safety of products with private label is no longer suspect. Consumer confidence, which has been created by a corporate brand, is now being transferred to the products of their private, and vice versa. If products with the private label did not meet the required level in terms of quality, in particular security, image of the retail chain, regardless of its size and strength, can easily collapse, which further strengthens the responsibility of these retailers.

In addition, the modern processes of trade revolution in the retail market and increasing size of retailers enable them to provide a higher level of quality, but with significantly lower retail prices. Its purchasing agents become more and more skilled negotiators, and with a larger horizontal market share will have larger orders to place with the firm supplies, thereby reducing its invoice costs and boosting its power as a buyer (Steiner, 2008). For this reason, their category management (CM) has become one of the core areas of interest to both manufacturers and retailers (Campo and Gijbrecchts, 2005). On the one hand, manufacturers, usually smaller ones, complain that the category management gives priority to some suppliers only and favours only the largest of them; therefore this system has been seen as a barrier to entry into a retailer's assortment of special secondary and tertiary brands. On the other hand, modern portfolio management, while delivering lower prices for consumers, represents a significant barrier and allows control of what kind of product, what quality or any other characteristics come to the consumer. There is no doubt that all of this leads to a higher level of satisfaction and protection of consumers in retail stores. However, being ruthless in lowering purchasing prices to very low levels often means a threat to the survival of the suppliers. All this represents a significant risk and raises many questions. In this sense, we should not mention how much importance the development of competition has on the supply side for the proper functioning of markets and the welfare of consumers.

Obviously, acceptance of power-imbalance is a key first-step to successful relationship building (Hingley, 2005), and for many companies, the lure of partnership with a mega-distributor is irresistible (Thomas and Wilkinson, 2011). Because of potentially enormous benefit from cooperation with large retail chains, manufacturers and their suppliers in general, accept often very strong imbalances between partners. In that situation, supplier will participate in the supply chain channel as long as his profit is non-negative (Ertek and Griffin, 2002), which often leads to its complete breakdown. It is now quite clear that consolidation of retailing forces brings with it very significant effects in terms of adding new value to consumers. Nevertheless there are still a lot of controversy and controversial views about the growth of retailing forces and application of forces.

In the research of contemporary authors prevailing attitudes are whatever the problems concerning the concentration of buying power, retailers need to be monitored as long as they compete fairly for market share and pass resulting benefits on to consumers (Fels, 2009). Also they do agree that, when it is no longer the case, adequate anti-monopoly policy and credible and effective anti-monopoly institutions could eliminate those imperfections and deviations in the market, which threatens to significantly compromise its effectiveness (Stojanović et al., 2010).

In any case, the contemporary changes in the sphere of retailing are very complex. All of this is largely manifested in food sector and other daily use consumer products, where the retailing is the most powerful. In such a situation, modern retailers should use power as an effective tool for supply chain management (Belaya and Hanf, 2009) creating an atmosphere of fairness and improving the efficiency of the overall market in which they operate, primarily by improving the position of consumers.

2. MARKET AND TRADE DEVELOPMENT IN THE REPUBLIC OF SERBIA

When it comes to Serbian market, the level of concentration of retail sector, as well as the market of other countries in transition, is still constantly raising, although significantly

slower. The changes that occurred in the Serbian market are like those that took place in other markets. Although less positive effects and concerns about certain changes in retail sales are spotted, it could be said with great certainty that the Serbian consumers have benefits of a process of retail concentration, which carried all the fiercer competition and increasing levels of efficiency in the overall process of distribution, not just retailing.

The process of transformation of the market in Serbia started at the beginning of the nineties, but significant and rapid changes took place after 2000. Trades in Serbia developed without meaningful and consistent trade policy before 2000 - completely spontaneous. A turning point occurred at the beginning of 2000 and it got its foothold in the Trade Development Strategy of the Republic of Serbia that was done in 2003 (Lovreta, 2009). Next Trade Development Strategy of the Republic of Serbia, which was adopted in 2009, further confirmed the strategic commitment to the building of a modern market and trade.

It is necessary to emphasize that in the process of transforming the market Serbia entered without sufficient involvement and adequate access to regulatory and government institutions in the field of competition and consumer protection, without effective regulation of the market, adequate market inspection and their activities, the involvement of non-governmental sector in these processes, etc. There is a need to develop awareness among citizens and all other market participants, but also on policy makers. For Serbia, as well as for other countries in transition, the principles of the market and modern market processes were unknown until then.

Accelerated modernization of retailing in Serbia and the development of consumer protection policy began after the signing of the Stabilisation and Association Agreement between the European Union and its State Members on the one side, and the Republic of Serbia, on the other side, in April 2008. With this agreement, the Republic of Serbia is committed to the harmonization of legislation with the EU, and as priority areas precisely defined are the areas of trade policy: protection of competition and control of state's financial aid, intellectual property rights, public procurement, and standardization and consumer protection. With the signing of the Agreement began intensive work on the development and application of modern trade policy. Until today, much has been done, in moving closer to the trade policy and the market in general to standards applicable on the single European market, especially in the area of consumer protection, which has achieved significant results. These efforts have not only a positive reflection of the position of consumers, but also to the development of the overall market and competition on it.

Table 1. The largest retailers of food and daily use consumer products on the Serbian market by revenue in million dinars

No.	Retailer	Origin	Sales revenue				Average sales growth
			2010	2011	2012	2013	
1.	DELHAIZE SERBIA Ltd.	Belgium	74.964.300	67.145.556	72.754.535	75.933.536	100.76
2.	MERCATOR-S Ltd.	Slovenia	46.083.266	51.687.898	58.402.569	62.385.907	110.65
3.	IDEA Ltd.	Croatia	40.019.157	48.315.113	52.450.822	55.072.112	111.43
4.	DIS Ltd.	Serbia	16.611.693	22.863.320	24.350.902	25.223.423	115.91
5.	UNIVEREXPORT EXPORT-	Serbia	11.096.710	12.868.040	13.819.436	13.753.200	107.62

	IMPORT Ltd.						
6.	AMAN Ltd.	Serbia	2.086.872	3.124.146	5.077.516	7.497.986	153.3
7.	GOMEX Ltd.	Serbia	3.030.669	4.157.299	5.184.994	6.586.151	127.13
8.	CDE S Ltd. (Interex)	Serbia	3.344.048	3.696.575	4.083.356	4.549.934	110.81
9.	VEROPOULOS Ltd.	Greece	2.798.659	3.581.632	4.002.095	4.084.833	115.81
10.	BB TRADE Corp. (PerSu)	Serbia	2.228.382	2.578.369	2.796.361	3.384.168	115.06

All listed retailers have experienced an increase in sales during analysed period, and the biggest growth had domestic retail chains Gomex and DIS, while total retail sales in Serbia in the same period noted annual decrease of 8.37% (sales growth in period from 2010 to 2013 was 91.63%) (Statistical Office of the Republic of Serbia, October 2014). Research that is now implemented convincingly shows that the achieved level of development of the market and concentration of retail in the Republic of Serbia lags behind the European Union countries, as well as in relation to all the neighbouring countries and regions that have successfully gone through the transition process, except for in comparison to Bosnia and Herzegovina, Ukraine, etc. It is obvious that consolidation and development of the market in Serbia is expected in following years.

In any case, the development of modern retailing and trade in general, is a complex and an important task in the process of integration of Serbia in the European Union. One of the most important elements of this development is the harmonization of consumer protection with the European legislation, the adoption of the legislation and achieving of its full implementation. The priority, however, is the area of food safety. In that manner, it is essential that all those involved in marketing channel in the food sector, from primary production to retail, are adequately trained and aware of their responsibilities. Especially important role have modern retail chains that are operating in the Serbian market, and each day individually meet larger number of domestic consumers who demand higher and higher level of protection of their rights.

3. CONSUMER PROTECTION POLICY IN FOOD RETAILING IN THE REPUBLIC OF SERBIA

When it comes to the area of consumer protection in the Republic of Serbia, directions of its true modernization have been defined more precisely in accordance with the objectives and tasks set by the National Consumer Protection Program in the period from 2007 to 2012 and the Trade Development Strategy until 2012. On this basis, the Consumer Protection Act has been replaced by the new Act in implementation from January 1, 2011.

The Act from 2010 brought solutions tailored to the changed of social and economic environment in Serbia, and modelled on the standards of protection that exist in the European Union. By that, the legislative basis has been created for the implementation of various instruments for consumer protection that exists in the developed countries of Europe. Implemented in domestic legislation, 15 key European consumer directives imposed changes in habits, attitudes and cultural patterns. It has allowed strengthening of the position of consumers, but also demanded changes in the mode of action of all stakeholders in the

consumer protection, from employees in the state institutions, inspection services, consumer associations, and especially retailers.

This Act meant a revolutionary novelty in the legislation of Serbia for retailers, transferring the burden of proving the non-conformity occurred in the first six months of purchase. Measures, that prohibit unfair contract terms and unfair business practices, are defined and prescribed and emphasis has been placed on the extrajudicial resolution of consumer disputes and the like. The obligation of retailers to inform consumers before the purchase decision is defined precisely, with specifically defined various types of consumer contracts (contract at a distance, contracts away from business premises, service contracts, contracts about tourist travel), but also the legal guarantees regardless of the nature of the product.

Following the adoption of the Act, also related subsidiary legislation was adopted inter alia, the Regulations on the records of associations and union associations for consumer protection. This regulation has allowed the identification of relevant partners from consumer associations for project financing, and representing the interests of consumers in advisory bodies, the state authorities and the like, which encourage significant strengthening of consumer association in Serbia.

After advancing and completing the legislative framework in the field of consumer protection, notably through an intensive harmonization with the European legislation, it is necessary to build and strengthen the institutional framework respectively, namely all holders of a consumer protection system. It is particularly significant that at the end of 2010, the ministry responsible for consumer affairs has announced a contest for allocation of funds for the promotion and financing programs of public interest in the field of consumer protection. That was the first time that establishment and functioning of four regional consumer counselling centres were funded (for the Belgrade Region, Region of Vojvodina, Region of Sumadija and Western Serbia, and Southern and Eastern Serbia). The main task of these centres conducted by governmental and non-profit consumer organization was providing legal aid to consumers advising and acting on their complaints.

The National Council for Consumer Protection is an expert advisory body with the aim of improving the system of consumer protection and of cooperation of the competent authorities, organizations and other holders of consumer protection. This instrument of creating uniform consumer protection policy consists of representatives of ministries and other state authorities and holders of public authorities, chambers of commerce, consumer associations and experts.

The following is an instrument of consumer protection strategy for the period 2013 – 2018, with the main goal to provide a very high level of consumer protection by 2018 in the line with EU standards and practice, through the implementation of specific objectives, and above all: further improvement of legislation, better integration of consumer protection in other government policies, further strengthening of the institutional framework, better enforcement of legislation and market supervision, strengthening welfare of society for the protection of all consumers and individual consumers, the development of regional and international cooperation.

The new Consumer Protection Act and its application bring the latest solutions which function, it is believed, beyond the existing barriers to better realization of consumer rights. Among the most significant are changes in terms of collective consumer protection and punishing unfair commercial practices and unfair contract terms.

Activities on the development and application of modern consumer protection policy, in the Republic of Serbia, have mostly been implemented with technical and financial support of projects funded by the European Union. These are CARDS 2006 projects, mainly Project for Improving Consumer Protection in the Republic of Serbia and Project for Strengthening of Consumer Protection in Serbia.

Completing the legal framework that regulates the functioning of trade, carries out retail activities, market supervision which contributes to the development of market competition, consumer welfare and protection benefit mostly from the adoption of many other laws (Act on Protection of Competition and the Law on Amendments to the Law on Protection of Competition). The adoption of the new Law on Trade, the framework law for the Serbian market, after 17 years since the adoption of prior, Serbia has received a modern legal act that governs trade and the market, which marked the beginning of serious contemporary institutional regulation of flows in our market. Very important is the Law on market supervision, together with the Law on general product safety and, in the field of food products the most important, the Law on food safety to a large extent completed the legislative framework necessary for the functioning of modern retailers, especially large retail chains which have in their assortment mainly food products and daily use consumer products.

4. CONSUMER PROTECTION PRACTICE IN FOOD RETAILING IN THE REPUBLIC OF SERBIA

Serbia for some time, along with the improvement of the legislative framework, works to ensure (implementation) of high European standards in the field of consumer protection. That should improve the position of consumers i.e. all citizens of the Republic of Serbia, the development of economy and agriculture, and export promotion on the single European market. Very important role in all of that has already significantly concentrated retail sector and modern retail chains, which operate on the Serbian market. Retailers become a strong barrier for unsafe products and a guarantee of safe and quality supplying of the population. On the other hand, they require adequate trade policy and regulated comprehensive legal and institutional environment.

The extensive research have been carried out in 2013 in order to analyze the relationship of market participants to the activities of the Government in designing and implementing key segments of trade policies (Stanković, 2014). Retailers, wholesalers and manufacturers in the field of food and daily use consumer products, as well as consumers were respondents in the research. For each of the listed areas were given ratings from 5 – slightly positive attitude/perception to 1 – indifference. Average scores of manufacturers, wholesalers and retailers are been summarized in the following table no. 2:

Table 2. Evaluation of the states' role in terms of creating a modern market conditions, by retailers, wholesalers and manufacturers

Ran k	Fields	AVERAGE
1.	Consumer protection	3.12
2.	Encouraging the entry of new (international) retail chains on the Serbian market	3.09
3.	Competition policy	2.80
4.	The inclusion of the market participants in the process of	2.68

	creating the legal framework in which they operate	
5.	Preventing unfair competition and black market	2.52
6.	Preventing the use of power by large retailers	2.51
7.	Privacy protection of small and medium-sized retailers	2.27
8.	Encouraging the release of domestic retail chains in foreign markets	2.08
Average		2.64

Source of the figure: Stanković, 2014, pp. 380

The data presented indicate that retailers, wholesalers and manufacturers in the field of food and daily use consumer products, satisfied the development and implementation of consumer protection policies. Lower grades were given to competition policy, and even lower to the prevention of unfair competition. Average scores obtained by surveying a sample of 600 consumers in the market of the Republic of Serbia are shown in the following table:

Table 3. Evaluation of the states' role in terms of creating market conditions and taking measures that allow benefits to consumers and protect their interests by consumers

Ran k	Fields	Average
1.	Encouraging the entry of new (international) retail chains on the Serbian market	2.96
2.	Strengthening consumer protection	2.89
3.	Helping consumers in resolving their disputes with traders	2.81
4.	The fight against the abuse of monopoly position of retailers	2.29
5.	The fight against unfair behaviour of retailers and the black market	2.25
6.	Involving consumers in the process of creating legislation and policies (the voice of the consumer)	2.18
7.	Preventing the decline in number of small and medium-sized retailers and closing of shops in neighbourhood	2.11
Average		2.50

Source of the figure: Stanković, 2014, pp. 382

It is of huge importance that the consumers themselves also mark above average grade governments' role in strengthening consumer protection. This mark, which is in second place from 7 ratings offer various segments of trade policy, consumers have shown that they are relatively satisfied with the progress in this field. Immediately after that follows satisfaction by assisting customers in solving disputes with retailers. The highest score was given to encouraging the entry of new (international) retail chains on the Serbian market, which speaks about satisfaction of consumers of changes, bearing in mind that all the benefits that brings the arrival of new (international) retail chains to consumers.

The progress in giving the concrete assistance directly to individual consumers in the period 2010 to 2014, show the data given by the Ministry of Trade, Tourism and Telecommunications of the Republic of Serbia, i.e. data from the National Registry of Consumer Complaints, showing the results of the "call canter" and regional counselling. They are presented in the following two tables.

Table 4. Comparative review of the number of complains of consumers according to the type of legal aid in the period 2010 to 2013

Type of legal aid	2010	2011	2012	2013	2014
Advice	2.165	4.803	6.855	10.695	13.759
Mediation	181	1.796	1.947	2.382	2.360
Memorial	0	32	32	609	547
Representation-extrajudicial	1	0	0	1	0
Representation-court	0	3	0	8	31
Total	2.347	6.634	8.834	13.695	16.697

Source of the figure: Ministry, 2015

The presented data show significant progress in the past five years in terms of the number of complaints received by unsatisfied consumers and provided assistance, regardless of the type of products and services. Data show that in the period of 4 years the number of processed consumers complains in the "call centre" and regional counselling centres had increased more than seven times. Consumers are more aware of their rights, increasingly recognize their violation and increasingly rely on the support of the newly created institutions of the consumer protection system in the protection of their rights.

The following review of data obtained through the National Registry of Consumer Complaints and the Ministry of Trade, Tourism and Communications of the Republic of Serbia deals with the contribution of the newly created system of consumer protection and work of the inspection service. Namely, if the professional staff in "call centre", or in one of the regional counselling centres, recognize the issue in the scope of responsibilities of individual inspection services, as well as the actual existence of retailers' violation of consumers rights, which is necessary to process to inspection, the complaint will be passed on to the appropriate inspection services for further handling and treatment.

Table 5. Number of consumers' complaints that regional counselling centres and call centre of the Ministry sent to inspection bodies

Complaints forwarded to inspection bodies	2012	2013	2014
Market inspection	77	696	943
RATEL – Republic Telecommunication Agency	54	77	129
Agricultural Inspection	7	72	76
Veterinary inspection	7	58	45
NBS	NA	NA	63
Other	11	74	138
Total	156	977	1.394

Source of the figure: Ministry, 2015

In relation to the total number of complaints of consumers are a relatively small number of complaints (applications) forwarded to the inspection authorities. This is especially the case with the area of food, its quality and safety, which is the responsibility of the Agricultural and Veterinary Inspection. A relatively small number of complaints in relation to the total number of complaints have been forwarded to this inspection. .

The total number of applications addressed to inspection authorities of the Agricultural Inspection is just over 5%, and to the Veterinary slightly more than 3% in 2014. At first

glance, this might indicate that the condition of the food retail market, primarily its quality and safety, is relatively satisfactory and stable. This conclusion is suggested by the data obtained from the Serbian Centre for Education of Consumers, consumer organizations, which is the only that implemented project of regional counselling centres in Belgrade in the monitored period.

Table 6. Structure of consumers complaints in the regional consumer counselling centre in Belgrade

Consumers complaints	2014.	2015. (first quarterly)
The area of telecommunications	1.390	378
footwear	1.095	340
Food	36	47
Other	3.882	1.178
Total	6.403	1.943

Source of the figure: CEPS, 2015

The presented data show very few and very small share of complaints related to food in the total number of complaints received by the regional counselling for the city of Belgrade. Their share in the total number of complaints was only about 0.6%, of total 36 complaints in 2014, while in the first quarter of 2015 the participation is around 2.5%, of total 47 consumers' complaints. It is interesting to see the structure of 83 complaints related to food items that regional counselling centre in Belgrade received. This structure is given in the following table.

Table 7. Structure of complaints related to food in the regional consumer counselling in Belgrade

Consumers complaints in relation to food	01.01.2014. – 31.03.2015.
Meat products which had various foreign objects (metal, plastic, hair, teeth ...)	20
False measurement, usually meat, especially ham	15
False declarations regarding gluten (i.e. written that rice is without gluten, but in rice was found wheat that is contaminated, baby food that is gluten-free, with taped labels that has gluten)	10
The quality of goods that are sold in stores with "healthy food" imported from Ukraine and other countries which are suspected to be radioactive (linseed, etc.).	10
Alcoholic beverages that are sold without excise marks	9
Rotten meat (meat that unusual smell)	6
Food products past the expiration date	6
Confectionery products which had worms, stones and the like	4
Dairy products, particularly yogurt and sour milk which contained foreign bodies	3
Total	83

Source of the figure: CEPS, 2015

Previously presented data confirmed very small share of individual consumers' complaints in relation to food products. The growth in their number could be attributed to a permanent work

on consumer awareness about their rights and how to exercise those rights, that is the existing legal and institutional solutions that are available to them. It could be said that, the greatest contribution, regarding to this area, is whether the projects for this purpose should be financed by the European Union and conducted in Serbia.

The report (OPS, 2015) states that “a trend of declining in food quality” in accordance with the “predominant request for an offer with lower price”. In the opinion of the surveyed producers, “raw material prices and preparations for protection of plants and animals are developed more than in other countries, but government subsidies for Serbian food producers are significantly lower than in the neighbouring countries”.

Therefore, the report states the conclusion that “in comparison with neighbouring countries, especially the large countries, Serbia has almost no chance of producing chemically correct and safe food that will be more cost-competitive than products of other countries”. The opinion is that “stricter application of “HACCP” system is necessary in order to achieve a higher level of health and a legal food safety from chemical, biological or physical risk”, since “this European standard on food safety is still not well known to our businesses and insufficiently present in practice”. Unfortunately, the conclusion of this report is that “Serbia is no more seen as a land of healthy and quality food”.

5. CONCLUSION

The Republic of Serbia has certainly moved to modern market development and trade. Trade in Serbia has significantly consolidated and concentrated, primarily the retail market is growing every day. Market share of modern retail chains, oriented towards consumers in the field of food and daily use consumer products, is now quite high. Accordingly, Serbia in the next period of its convergence towards a single European market should be more intensive and more determined to develop and implement comprehensive, consistent and modern trade policy. The focus of all its individual segments should be undoubtedly the interest of the citizens, but at the same time preserving the equality of the positions of all participants in marketing channels and the market in general. We should not lose sight that “competition strengthening increases efficiency, encourages innovation and initiatives for the differentiation and quality improvement of products and services offered on the market” (Končar and Stanković, 2012).

More specifically, when it comes to the achieved level of policy development and practice of consumer protection in Serbia, in comparison with European standards, the previous years could be assessed as successful. There is no doubt that progress has been made. More should be done when it comes to safety and quality of food that reaches consumers. Developments in this area have significantly been contributed to by the modern retail chains dealing in supplying of food, especially their experience and knowledge that are transferring from developed markets. However, given the very nature of food products and their importance to the life and health of consumers, in the coming period it is necessary to focus more intensively on further harmonization of the legal framework with European legislation and faster implementation of the adopted solutions. For this, the significant financial funds are necessary, and one of important segments in this regards the financing of independent research on food quality and ensuring consumer safety.

Priority actions that should, as soon as possible, enable significant progress in approaching the European single market in the field of food are defined in the Progress Report of the European Commission on the progress of the Republic of Serbia in the European integration process in 2014 (European Commission, 2014). When it comes to general food safety in this report, as a priority is increasing of the scientific staff in national laboratories to perform tasks and create laboratories for testing milk quality and reliable quality control system for raw milk. Also as far as food safety is concerned, the specific rules for food require synchronization of the Law on medicines and medical devices for animals with European legislation. Further efforts are needed in specific areas of food safety, amendments to the Law on food safety, particularly regarding the lack of prominent national reference laboratory.

The National Programme for monitoring and control of food and food safety is required as well as strengthening of the National System for the management of products with animal origin, strengthening management of animal waste. Also among the priorities is the adoption of the new Law on genetically modified organisms, in accordance with the legislation of the European Union, which is a condition for Serbia's membership in the WTO. At the end of the report, as a conclusion, it has been stated that “generally speaking, in the area of food safety, veterinary and the phytosanitary policy, Serbia is moderately advanced”, which cannot be a satisfactory result.

In any case, we come to the conclusion that the Republic of Serbia is making significant efforts to improve consumer protection and in terms of safety and quality of food for consumers. However, it is still not close to the level that exists in the developed European countries. A great contribution to the welfare of consumers is certainly providing modern retail chains that show a very high level of responsibility. However, these questions should be left, by no means, to the will of market participants. Serbia must as soon as possible enable a safe and quality food for all customers, regardless of where they buy, regardless of whether it comes to food produced in Serbia or imported from other markets, whether customers buy the facilities of modern retail chains or in stores of traditional retailers. When it comes to food this should not be compromised. Due to actuality of consumer protection and food retailing in the Republic of Serbia, it was necessary to perform this extensive research. The basic limitation of the study can be considered as the inability to conduct research in other countries and the unavailability of data from similar research from the countries where consumer protection in food retailing is in the higher level. Recommendations for future research should be related to the expansion of research in the neighboring countries.

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CONSUMER POLICY IN FOOD RETAILING AND SUSTAINABLE CONSUMER CHOICES

Dario Dunković; Matea Horvat

Faculty of Economics and Business, University of Zagreb, Croatia

Abstract

Consumer policy is also focused on sustainable consumption. Its implementation depends on the change in consumer awareness, as well as related in-store marketing activities. The aim is to investigate whether retail operations foster increased consumer awareness of sustainable food consumption. Hence, the conceptual framework of the study is based on two assumptions and three variables, which have been tested using data collected from customer surveys conducted in front of three different stores with regard to the proportion of organic food in total offer. Using factor analysis the data was first grouped into three components necessary for the identification of relationships, and then using GLM and Tukey's post-hoc test their interaction was identified. The results indicate that retailers can be considered drivers of sustainable consumption policy. Customers exposed to marketing activities related to organic food and those who visit stores that offer reliable, certified organic food have changed their perception of sustainable consumption and have consequently changed their food choices.

Key words: consumer policy, retailers, organic food, consumer choice, sustainable consumption

1. INTRODUCTION

Much like an architect designing a living space and thereby changing the habits of new tenants, a retailer can change the perception and behaviour of customers in different ways and in a number of situations through store design and display of goods and services. Thus, a retailer affects consumer lifestyle in a store (Rasch, et al., 2015) directing their focus towards the values that are important to him (Paul & Rana, 2012). Retailers put profit first and therefore the values that are central to them are those that can provide financial benefits in the present circumstances.

This paper will explore the extent to which consumer preferences differ when placed in the context of the sustainable consumption policy. Organic food preference indicates consumer orientation (Doorn & Verhoef, 2015). Thus, one of the variables in the study can be the effect of special retail operations in raising consumer awareness of the importance of their sustainable behaviour. Lehner (2015) found the consumers to be more likely to choose alternative organic food if there is relevant positive cognitive perception; however, consumer confidence in food labels should also be included in the framework of this study as a second variable whose impact should be investigated.

Consumer policy, as an integral part of economic policy, is aimed at changing the behaviour of economic actors by restricting their marketing activities and developing initiatives to protect the interests of consumers as an economically weaker party in the trade relationship. Consumer policy initiatives in Croatia have not been recognized sufficiently and are not effectively implemented (European Commission, 2014). It is therefore important to look for ways and links between market actors to improve the situation. Consumers have been increasingly exposed to retail operations related to organic food (Bezawada & Pauwels, 2015) which should be taken into account in the implementation of sustainable consumer policy set out in the European Union strategy. Obviously it is not possible to force consumers to purchase more expensive alternative organic food when at the same time conventional food is available at a lower price. The composition of organic food should be such that it does not have an adverse effect on human health, and its production and distribution are expected to have a reduced negative impact on the environment (air, water and soil) in comparison with conventional food.

Building awareness among consumers about the consequences of the current and alternative lifestyle can change their habits (Buehler & Halbheer, 2012). One can hardly expect that a consumer group will make a joint effort and start changing their habits on their own accord. Such changes require wider social support. Retailers influence consumer lifestyle more than other actors because they are in daily contact with them through their operations. Due to the pursuit of profit, the phenomenon of strong influence may be misused leading to unfair behaviour of retailers that is not beneficial to consumers, and thus not beneficial to society as a whole. Consumer policy seeks to prevent marketing activities that can lead consumers to purchase by sending misleading information based on which a customer pays for something that is not really what he or she had expected. This has a destructive effect on the market and causes a decrease in retail trade (Buskirk & Rothe, 1970) because consumers eventually lose their confidence in the market and look for alternative ways to satisfy their needs and wants. The needs are few but wants are many.

2. CUSTOMER CHOICES IN SUSTAINABLE POLICY ENVIRONMENT

Sustainable policy is a tool to implement one portion of EU growth strategy "Europe 2020". It establishes guidelines for sustainable consumption that has become part of the overall EU consumer policy. This is a voluntary approach as regards environmental footprint. Organic food is a product of organic farming that helps protect natural resource and biodiversity by prohibiting or restricting the use of chemical-synthetic pesticides, chemical fertilizers, growth hormones, antibiotics and genetic modifications (European Commission, 2014a). The choice of organic versus conventional food is significantly influenced by the perception of the health effect of organic food (Paul & Rana, 2012). A retailer can influence consumer behaviour by conducting organic food operations (i.e. by offering organic assortment, categorization and in-store advertising). One of the goals set by EU policy for sustainable growth is to help consumers make well-informed choices (European Commission, 2015). Key topic of the European Retail Actions for Green Growth policy was identified as enhancement of sustainable consumption including availability of environmentally friendly products at affordable prices and clear and credible relevant consumer information. This has become a requirement for both retailers and supply chain participants. The policy states that

proliferation and reliability of labels should reduce confusion and ultimately lead to the rise of consumer awareness and confidence (European Commission, 2012).

Consumer policy has had multiple effects in the market. It is used to limit retail marketing activities (Table 1) and impose an obligation to conduct various new operations. This approach affects the planning and implementation of retail management business strategy. For example, larger stores are required to redeem plastic beverage containers, which entails additional operating costs and mobilization of additional resources. Economic policy initiatives are increasingly becoming consumer policy initiatives because the achievement of many important goals in a society depends on consumer behaviour. Consumers are expected to sacrifice their financial resources to change their traditional lifestyle into a sustainable one for the future benefit of society (Miller & Gelinas, 2013). These changes mostly involve higher living costs, i.e. paying more for organic food or buying products in PET (polyethylene terephthalate) food containers. Food retailers are the protagonists of these changes and they are looking for ways to profit from them.

Table 1. The areas of regulation implied by consumer policy in retailing sector in Croatia.

Sector	Regulations
Related to all sectors	<ul style="list-style-type: none"> ▪ unfair consumer contract terms and conditions ▪ unfair business practice ▪ collective consumer protection ▪ liability for material defects
Retail	<ul style="list-style-type: none"> ▪ display of sale conditions ▪ display of prices ▪ issuing invoice ▪ issuing documents accompanying the product ▪ provision of product information ▪ seasonal sale ▪ promotional sale ▪ clearance sale ▪ offer of certified food ▪ faulty product sale ▪ compliance with manufacturer warranty ▪ out-of-store sale

Source: Author.

Not every retailer is willing to sell organic food because they have not been able to attract organic food consumers. Retailers with a strong brand image and those who manage to put in place appropriate marketing operations for their organic product range can offer organic food at a higher profit in comparison to other food types.

How could one expect that consumers pay a higher price or accept a perceived lower quality for a food that is in fact less damaging to the environment, as long as other consumers are allowed to benefit from paying lower prices or enjoying higher quantities? To change the perception of customers, it is necessary to lower prices by creating a sustainability-supporting competition, i.e. competition arising from eco-efficient features of the product (Scherhorn, 2005). Sustainable consumption means buying an organic but more expensive product under

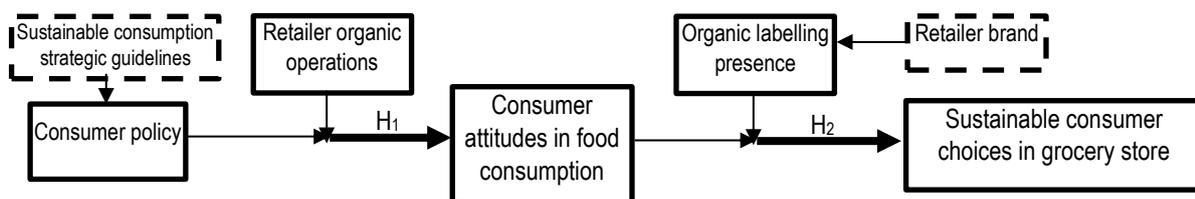
conditions that consumers might pay for doing a good deed while others are rewarded for dodging it. The responsibility for sustainable choice of organic food cannot lie with consumers as long as producers and retailers fail to provide them with reasonable options (Veltri, et al., 2015).

Thøgersen & Schrader (2012) have considered ways of putting sustainable consumption into practice and share the opinion that changes in consumer behaviour (choices) are crucial if we are to move to a sustainable development path. There is a huge gap between the available knowledge about sustainable consumption and the real action towards it. Determinants like values, attitudes, education, health habits and income are important for the subjective perception of consumer to be inclusive in sustainable context. Larceneux, et al., (2012) find that interaction of the organic label and brand signals is significant which suggests that consumer behaviour can be further influenced by the perception of a brand.

3. RESEARCH DESIGN

The purpose of the empirical part of the research is to examine the effects of two factors on sustainable consumer choices in a grocery store. The conceptual framework was divided into two phases (Figure 1).

Figure 1. Conceptual framework.



Source: Author.

The first phase sought to determine how retailer organic food operations affect the implementation of sustainable consumer policy. Sensitive changes in consumer attitudes are easier induced by external factors with which they are in constant contact. The consumers belonging to the ecological market segment are those who are characterized by their self-fulfillment and besides healthier option and personal satisfaction they also hope to sustain the environment for future generation (Paul & Rana, 2012). They are interested in ecological lifestyle, i.e. environmental consciousness, selecting and rejecting products. Institutions and retailers should be aware of the importance of the attitudes of the consumers in this segment and make an effort to remove impediments in terms of broadening the segment. Changes in consumer behaviour are conditional on changes in consumer attitudes. Hence, the first hypothesis which states:

H₁ - Consumers more involved in retailer organic food operations are prone to sustainable consumption policy.

Consumers decide where to buy a product and for which occasion. If they are familiar with the benefits of organic food and want to learn more about its characteristics, they must decide which organic brand to choose and ultimately how many units to buy (Ngobo, 2011). Organic labelling is not enough but has to be accompanied by effective tool of branding among value-conscious buyers. Buyers of organic products are generally less price-sensitive and more

socially conscious (Das, 2015). In the second phase it was examined to which level the presence of credible organic labelling affects the sensitive process of deciding to buy organic food. Consumer choice of organic food is driven by a wish to change their lifestyle and eating habits. The changes in their behaviour affect other household members for whom they shop. Input variable in the second phase are customers' attitudes on food consumption according to which they were categorised into those without or with very low awareness of the concept of sustainable consumption, those assessed to have moderate awareness and those with high awareness of the importance of sustainable consumption. Using Tukey's honest significant difference test, it can be determined whether there is a statistically significant difference in consumers' attitudes considering the impact of individual variable. Labelling is a typical example how companies may contribute to consumer policy diffusion aims by addressing sustainability-oriented consumers with offers which have environmental and social advantage.

H₂ – Sustainable consumer choices are not random but depend upon antecedent perception and presence of organic labelled products.

Customers choose a store type depending on their needs, preferences, wishes and habits. Thus, the preferences of customers who visit stores with a different product range are expected to differ. Of relevance to this study is customer preference for organic product range and therefore the data for empirical research were collected through a customer (50) survey conducted in front of three stores that differ in terms of the share of conventional versus organic food they offer (Table 2).

Table 2. Store typology.

Store type	Description
<i>store1</i>	retail store without organic food availability
<i>store2</i>	limited organic food offer, not more than 5% of food items have organic alternative
<i>store3</i>	adequate organic food offer, rough estimation of at least 20% of food items have organic alternative

The research methods employed in this study can be described as follows. The data has been collected through a structured questionnaire with close-ended questions designed on the basis of the objectives of research framework. The method used for data collection was a face-to-face interview. The survey questionnaire consisted of 12 questions answered on a five-point scale used to determine consumers' attitudes (1=not agree or very dissatisfied, 5=fully agree or fully satisfied). The collected data were entered in the Statistical Package for the Social Sciences Version 20 (SPSS) for the purpose of conducting factor analysis which was followed by the variance of the mean using General linear modelling with Tukey's HSD post-hoc test. By using data analysis, first it will be determined whether there is an interdependence between the levels of influence of retailers' *organic operations* on consumer sustainable orientation, and secondly the influence of organic *label* perception variations on attitude according to antecedent level of consumer awareness. Consumption patterns of consumers are a measure of the effectiveness of consumer policy implementation.

4. RESEARCH RESULTS AND IMPLICATIONS

4.1. Results

It was observed in the survey that the level of consumer awareness about the importance of sustainable consumption behaviour may increase with the level of their exposure to reliable organic food marketing activities in the store. To analyse the variables that effect sustainable consumer choices in a grocery store the factor analysis was performed using principal component analysis extraction method. The KMO measure of the sampling adequacy was .738 which is more than middling for factor analysis to proceed. The PCA using varimax rotation reduced 12 explanatory variables to three components as shown in Table 3.

Table 3. Rotated component matrix with three components.

	Rotated Component Matrix ^a		
	Labeling	Awareness	Organic operations
Q1	,249	,847	-,214
Q2	-,152	,751	,247
Q3	,148	-,231	,789
Q4	,059	,206	,638
Q5	,664	,162	,108
Q6	,886	,210	,209
Q7	,744	-,058	-,152
Q8	,697	,103	,230
Q9	,181	-,019	,814
Q10	,597	,039	,461
Q11	,624	,020	,143
Q12	,250	,818	-,044

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser

a. Rotation converged in 5 iterations.

Source: SPSS empirical data analysis.

Confirmatory factor analysis in the given study is showing loadings 0.6 or higher to confirm that independent variables identified are represented by particular factor. That level of loadings corresponds to 61.370% of the cumulative variance. Data within components were identified as follows: Awareness ($\alpha=.76$), Labelling (.81) and Organic operations (.72) show each appropriate internal consistency ($\alpha>.7$). Variables that had largest loadings in the same factor were used as predictors in further analysis.

In order to test hypothesis H_1 , univariate GLM with *store* type as a fixed factor and post-hoc Tukey's HSD test of mean additivity were used. The results in Table 4 show that at the 95% confidence level there is a statistically significant difference in the perception of retailer organic operations among consumers visiting *store1* and *store3* ($MD= -1.47$, p value was .008 and less than significance value of .05). Although there is also a difference between variables *store1* and *store2*, it is not significant ($p=.143$, $p>.05$). At the 95% confidence level a significant difference is found in consumer attitudes about sustainability concept among visitors depending on the store type ($MD= -1.18$, $p=.039$). Therefore null hypothesis was rejected. At the same time the variation in the mean difference of *store1* and *store2* is not statistically significant at the 95% confidence level (respectively $p=.143$, $p=.742$). There is a

statistically significant difference confirming that consumers who are more involved in retailer operations related to organic activities have a higher level of awareness about the need for sustainable consumer behaviour as confirmed by hypothesis H₁.

Table 4. Factors building consumer attitudes in food consumption.

Multiple Comparisons

Dependent Variables: Organic operations & Awareness
Tukey HSD

StoreType		Organic operations			Awareness		
		Mean			Mean		
		Difference	Std. Error	Sig.	Difference	Std. Error	Sig.
store1	store2	-,90	,466	,143	-,35	,468	,742
	store3	-1,47*	,459	,008	-1,18*	,261	,039
store2	store1	,90	,466	,143	,35	,468	,742
	store3	-,57	,466	,447	-,83	,468	,193
store3	store1	1,47*	,459	,008	1,18*	,261	,039
	store2	,57	,466	,447	,83	,468	,193

Based on observed means.

The error term is Mean Square(Error) = 1,790.

*. The mean difference is significant at the ,05 level.

Source: SPSS empirical data analysis.

Consumers who have no opinion either way or do not attach importance to the concept of sustainable consumption have significantly different perceptions of organic labelling of food than consumers who were found to have a high level of awareness about the concept (MD=1.99, p=.082) at the 90% confidence level (Table 5). That confirms H₂ which states that sustainable consumer choices depend on prior awareness and attitude which are positively affected by the presence of organic labelled products. The difference in mean is not significant relative to customers whose attitudes were rated as moderate (p=.465, p=.392).

Table 5. Organic label perception variations according to the level of consumer awareness.

Multiple Comparisons

Dependent Variable: Labelling
Tukey HSD

Awareness		Mean		
		Difference	Std. Error	Sig.
no or very low	moderate	-1,01	,360	,465
	high	1,99*	,421	,082
moderate	no or very low	-1,01	,360	,465
	high	-,92	,378	,392
high	no or very low	-1,99*	,421	,082
	moderate	,92	,378	,392

Based on observed means.

The error term is Mean Square(Error) = 1,146.

*. The mean difference is significant at the ,1 level.

Source: SPSS empirical data analysis.

Data in Table 6 suggest that participants in the survey can be presented as two different groups (two subsets of data) using Tukey's HSD test.

Table 6. Subset of labelling importance means per awareness level group.

Labelling

Tukey HSD

Awareness	N	Subset	
		1	2
no or very low	14	2,17	
moderate	24	3,18	3,18
high	12		4,16
Sig.		,516	,408

Means for groups in homogeneous subsets are displayed.

Based on observed means.

The error term is Mean Square(Error) = 1,146.

a. Uses Harmonic Mean Sample Size = 15,273.

b. Alpha = ,1.

Source: SPSS empirical data analysis.

Labelling products as certified organic signals to the consumer that the food is from trusted origin, which is obviously much more important to buyers with a moderate and especially those with a high level of awareness about sustainable consumption concept.

4.2. Discussion

The results show that the implementation of sustainable food consumption policy guidelines depends on retailer marketing operations. Advertising, price promotion and increasing the offering of food associated with sustainable consumption improve the overall effectiveness of consumer policy. The survey of consumer attitudes has shown that those with a preference for certain organic food are more appreciative of the importance of the effect of such a diet on their health and environmental protection. Changing buying habits of the consumers is a sensitive process for them (Doorn & Verhoef, 2015) because it entails changing their lifestyle (Paul & Rana, 2012). It is therefore important for consumers to have confidence in the retailer involved in the process. (Hartman, et al., 2015). The retailer's brand image is built on experience, loyalty and trust of customers (Bezawada & Pauwels, 2015) and is another important determinant in the concept that needs to be taken into account. Much like with any change in a person's life, be that changing a telecommunication service operator, buying a new bike or starting a new job, and in particular when changing to a different diet, one is seeking support from someone who he/she trusts to help with making a decision.

4.3. Limitations and future research

The limitation of the empirical research is the narrow scope of variables under consideration as factors in consumer perception of sustainable consumption. Lifestyle changes depend on a number of other issues such as the diversity of the retail offer, prices, past experiences with organic food, etc. Although the stores were categorised in three groups with regard to their offer, it would be useful to investigate the behaviour of consumers who shop in the same store category to determine whether some variables have a stronger effect on consumer awareness in comparison to others.

5. CONCLUSION

The choice of food is the backbone of the implementation of sustainable consumption policy. Selling organic food in stores is not easy and it requires different retailer marketing activities linked with consumer perception of healthy lifestyle and sustainable consumption without negative impacts on the environment. The research has shown that sustainable consumption policy combined with retailer organic marketing operations positively influences consumer attitudes. Customers who visit stores which offer organic food in addition to conventional food show greater awareness of sustainable consumption in comparison to those who visit stores in which organic food is rare or not displayed at all. The results of the research also include organic food labelling mechanism in grocery stores which provides additional reassurance, in this sensitive process, to customers showing awareness and make purchase choices. The existing difficulties in the production, certification, procurement and sales of organic food increase the price of these products and make their comparison with other products more difficult. Thus, retail management can use sustainable consumption policy to focus some of their marketing activities on attracting new customers and increase profits from the sale of these products. Since the changes in consumer awareness and their habits are dynamic and sensitive, they will be easier to go through if they are associated with stores that have created an image of having a reliable certified product range policy.

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SOCIAL SUPERMARKET RIJEKA AS A SOCIAL INNOVATION IN FOOD DISTRIBUTION

Ivana Marić; Blaženka Knežević; Dario Džambo

Faculty of Economics and Business, University of Zagreb, Croatia

Abstract

Social supermarkets represent a specific form of social entrepreneurship, because they are voluntary non-profit organization and a special form of retail which supply socially vulnerable individuals with basic necessities. This specific form of social innovation is based on the association of volunteers, organizing and implementing actions and connects users and donors through the exchange of goods and services. It is an innovation because it promotes the strengthening of social capital, social cohesion and develops social responsibility among all stakeholders involved in the distribution of food to socially vulnerable citizens (retail chains, individuals, organizations, volunteers, local communities ...). Throughout concrete actions, social supermarkets create positive social changes that solve part of the problem caused by the crisis: poverty, hunger and social exclusion.

Social supermarket is defined as a food retailer that distributes food to limited groups of people who live at the risk of poverty. Social supermarkets as innovation and the phenomenon of social entrepreneurship are important actions of civil organizations and concrete form exchange which encourages social values of philanthropy, solidarity and networking. Nowadays, in Croatia there are more than 15 active social supermarkets, and there is constant trend of their opening in various cities and counties. The social supermarket in Rijeka is an example of excellence in operation in Croatia because of the structure of the organization, significant involvement and commitment of volunteers and citizens, the success of the implementation, the number of activities and the number and variety of different services provided to users. Therefore, in this paper it will be described as a successful business case.

Keywords: social supermarket, social innovation, food distribution

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1. INTRODUCTION

Social supermarkets represent a specific aspect of trade and social initiative which promotes social values and has a strong, nonprofit philanthropic focus. At the same time, in the food distribution chain social supermarkets play a significant role in providing food to the socially endangered population.

Social supermarkets are often associated with poverty and civic involvement. Basic necessities are secured through the exchange of necessary goods that could be viewed as a particular form of social entrepreneurship. Social supermarkets are closely aligned with philanthropy and its many forms such as charity shops, food banks and second hand shops, most of which are focused on helping socially vulnerable citizens.

The growth of their importance across Europe is the outcome of the fact that for EU27 countries all indicators are showing that social situation is becoming more problematic due to a deep economic crisis. According to available official statistics, Maric and Knezevic (2014) state that there is almost one quarter of EU population evaluated „in risk of poverty or social exclusion“ while one-tenth lives in „severe material deprivation“. Moreover, they claim (Maric and Knezevic, 2014) that more than 26 million EU citizens are officially registered as unemployed which is 12% of EU population and out of that 19 million are in Euro zone. In addition Knezevic (2015) analyses available official statistics for Croatia and puts it into the EU context, concluding that the risk of poverty is getting deeper and deeper in period 2008 till 2013 (last available official statistics) bringing Croatia into situation of 19,5% of population in the risk of poverty in 2013, while EU average was 16,8%.

Social Supermarkets are an initiative that represents a good example of an inter-organizational relationship between retailers, manufacturers and governmental institutions (Holweg, Lienbacher and Schnedlitz, 2010). As the name „social supermarket“ suggests, it is primary an initiative of citizens through nongovernmental organizations that fosters a social inclusion, which involves the creation of social change and an applied aspect of distributive trade activity through the free provision of certain goods (mostly concerning the necessary groceries) to socially vulnerable individuals (Maric, 2013).

The first Austrian Social Supermarket opened in 1999 in the city of Linz as private initiative of four families. The vision of the founders was to: (1) prevent consumable food and household products from turning into waste, (2) help people who are financially at risk of poverty or in poverty, and (3) support the reintegration of unemployed people into society (Holweg and Lienbacher, 2010).

Social supermarkets are type of social enterprises and a form of social entrepreneurship that brings the wider scope of civil society organizations management or non-profit organizations facilitating distribution of food to socially endangered citizens. As social enterprises, social supermarkets are founded by entrepreneurs who establish certain organizations or commercial structures with a unique social mission and social goals with the intention of fulfilling specific needs and demands of vulnerable groups (Maric and Knezevic, 2014).

According to a Sucur et. al. (2006), poverty for the most comes down to scarcity or lack of material or monetary means. Therefore we can tell that the primary mission of social supermarkets is to fight against poverty and to improve the fairness of food distribution/redistribution.

Holweg and Lienbacher (2010) define social supermarkets as food oriented retailers selling food to a restricted group of people living in or at risk of poverty. Social supermarkets present an attempt to make social changes through volunteer work and help in providing basic groceries for people on the verge of poverty together with keeping human dignity at high level by offering users the opportunity to make a choice out of given assortment (Maric and Knezevic, 2014).

Social supermarkets in Croatia are organized charity efforts based on donations that don't generate profit in any form. They represent a systematic effort on the society's part toward eradicating poverty and improving social inclusion. They are also a creative form of organizing that reduces the effects of market turmoil and social issues stemming from poverty and economical challenges.

2. DEFINITION OF SOCIAL INNOVATION AND SOCIAL ENTREPRENEURSHIP

Social supermarkets are social innovation which comprises social responsibility of associated individuals with an aim to show social solidarity towards socially vulnerable persons or families towards collection and distribution of goods that are collected from individual donors, large retail chains and/or other companies (Maric, 2013).

Prester (2010) underscores that the following is needed to achieve innovation:

- (1.) clearly defined tasks and goals
- (2.) efficient team leadership
- (3.) healthy balance between team roles and personal preferences
- (4.) effective system for conflict management
- (5.) established, permanent connections with varied environments outside the company

Applying the aforesaid elements as civil initiatives' response to today's economic and social crisis has given birth to social supermarkets in Croatia. To that extent, social innovation is the creation of new, unusual means of handling key social issues, such as poverty and the disposal of surplus food.

In the case of social supermarkets, positive innovation in food distribution must be realized through the application of the following steps, in line with the aforementioned requirements:

- (1.) helping socially disadvantaged individuals through food gifting and better redistribution of food
- (2.) organizing volunteers, social entrepreneurs, sympathizers and others into teams that are capable of achieving goals of the organization
- (3.) the ability to cope with everyday demands
- (4.) activities based on the values of solidarity and achieving social values reduce the possibility of conflict stemming from establishing the relationships needed to carry out these activities
- (5.) tracking, adjustment and cooperation with the environment (donors, possible volunteers and local government units).

Social innovation is defined as new ideas (products, services and models) that solve the social challenges, satisfy social needs and create new social relations between different groups of society. At this moment, social innovation is in its infancy the world over. As such, social innovation nowadays is of little significance in solving the society's issues. However, social

innovation helps in bringing more and more efficient and relevant solutions. It is generally accepted that social innovation should not be a response to the society's bigger social issues and needs, such as climate change or population aging. Rather than that, social innovation should be a mechanism for achieving systematic changes (BEPA, 2014).

Social supermarkets as a form of innovation within social entrepreneurship is becoming an important conduit which promotes social values of solidarity, networking and philanthropy, as it creates an important leverage in the society (Maric, 2013). The phenomenon of social entrepreneurship is ubiquitous in developed societies that exhibit growing management limitations in their exclusive focus on profitability and marketplace that disregards the various social aspects and goals of doing business. In that regard, social companies attempt to strike a balance between economic and social goals as to achieve social balance through socially responsible management, one that takes into account the consequences of its actions in the marketplace, while at the same time fulfilling its mission, profit or non-profit notwithstanding.

Social entrepreneurship is a specific form of entrepreneurship based on the values of social, ecological and economical sustainability. Some, or all, profit generated by social entrepreneurship is often used for the benefit of the community at large. In reality, this approach is somewhat stymied by the incomprehension or misunderstanding of its very purpose and potentials. In Europe, and elsewhere around the world, various forms of social entrepreneurship are indeed a growing trend (Zrilic and Sirola, 2014).

Social entrepreneurship entails entrepreneurial approach in the form of innovation, reasonable risk-taking, self-confidence, hard work, clearly established goals and responsibility in the social sector in order to advance the quality of life while at the same time realize financial and social values. As such, social entrepreneurship is an art of achieving a return on investment in both financial and social sense (Skrtic and Mikic, 2007). Social entrepreneurs are driven by a strong desire for action and solidarity. They exhibit great social sensitivity and possess a strong drive for action. Their entrepreneurial activity is brave because it connects those who have surplus of food (donors, volunteers, etc.) with end users who are often poor.

3. THE VALUE CHAIN OF SOCIAL SUPERMARKETS

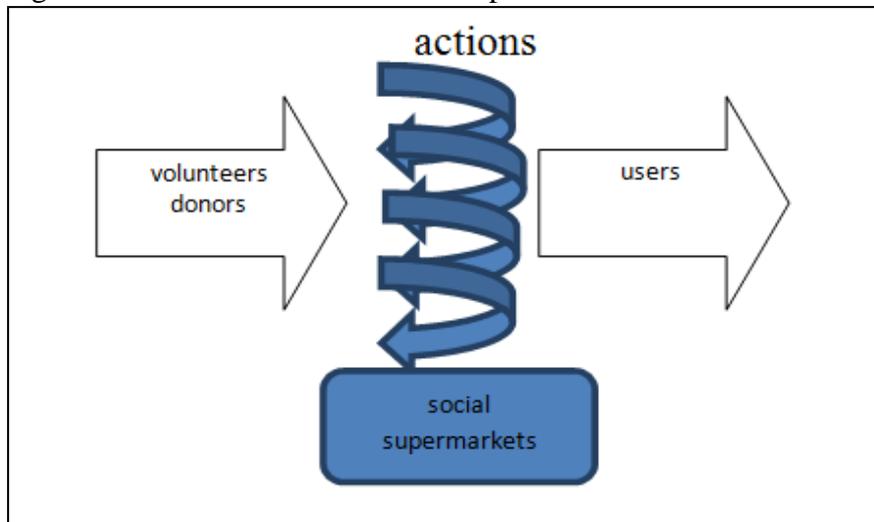
Maric (2013) deems social supermarkets through the prism of social entrepreneurship as an atypical aspect of commerce whose primary social value is the non-monetary exchange of free goods to end users, meaning no monetary compensation occurs in exchange for the service provided. Instead, both volunteers and donors receive a different kind of endorsement in the form of gratitude, pleasure and the feeling of purpose and fulfillment.

Simply speaking, there are two key segments at play here: donors and end users. On the surface, this model is pretty simplified because goods don't end up in users' hands for the sake of money exchange. The typical monetary-driven exchange of goods and services is notably absent here. Instead, material values morph into social, with information and values being exchanged two-way. Ultimately, the very goods that traditional retail chains readily donate (especially those goods that are about to expire) have a whole different meaning and purpose in this type of exchange.

From the standpoint of social innovation and entrepreneurship, the social supermarket is the place where the numerous actions (Figure 3) occur toward fulfilling its organizational mission. This non-profit exchange is basically a social venture or innovation primarily conceived by social entrepreneurs who are the holders of entrepreneurial ideas, followed by volunteers and donors as the first in the value chain. Satisfied users of their services ultimately fulfill the existential purpose of social supermarkets.

The number of actions which involve citizens and local communities, as well as a high number of various donors and sponsors, guarantee financial stability. The inclusion of other stakeholders contributes to the success of these initiatives. Therefore, only joint efforts between the young, the general public and other members of the society can make food distribution on a voluntary basis a professional endeavor, expertly conducted and financially stable, with high-quality programs for volunteers and varied accompanying services for end users (like education, counseling, legal consultancy and so forth).

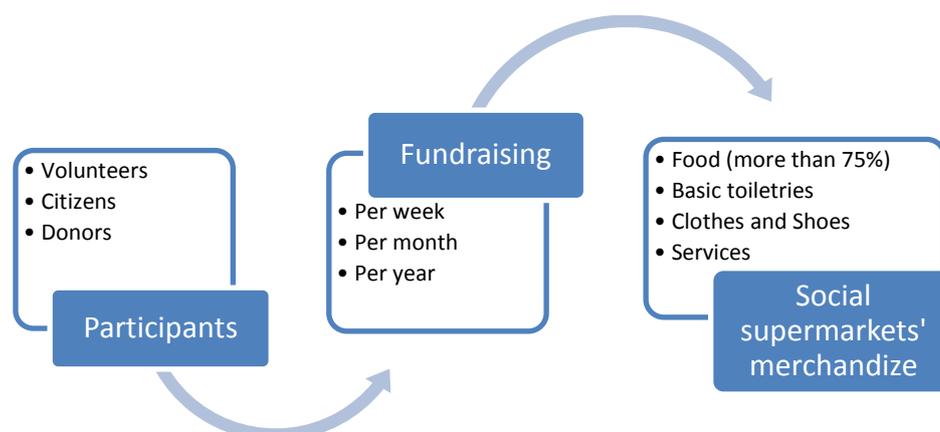
Figure 1. The value chain of social supermarkets as social innovations



Source: Authors

Underscoring the importance of capable management in these organizations entails highlighting the fundraising aspect as a key dimension for the successful implementation of their business actions. Figure 2 depicts three key elements in everyday operation of social supermarkets: (1) participants; (2) fundraising activities and (3) goods offered by social supermarkets. In social supermarkets' merchandize food usually makes more than 75% of assortment. Therefore, we can claim that social supermarkets are, actually, social innovation in food distribution in a way which reduces poverty and prevents hunger of the most socially vulnerable citizens.

Figure 2. The key elements in operation of social supermarkets



Source: Authors

4. SOCIAL SUPERMARKET RIJEKA AS A SUCCESS STORY

4.1. History and domain

Social supermarket „Kruh sv. Elizabete“ in Rijeka, was established in 2001, is the first and the largest social supermarket in Croatia it is located near the public marketplace Brajda in Rijeka (see Figure 3).

Figure 3. Social supermarket in Rijeka – visual identity of exterior and interior



Source: <http://www.ssr.pondi.hr/index.html> and <http://www.jatrgovac.com/tag/socijalna-samoposluga/> (both accessed on: 29th September 2015)

It was conceived by the Franciscan Order and their volunteers. The Rijeka social supermarket is the combination of three coordinated departments, each tasked with their own respective responsibilities: (1) end users and donors, (2) clothing/footwear and finance and (3) food, volunteers and media. Such structure brings together the basic elements crucial for the success of any social supermarket, while its activities remain highly coordinated and intertwined.

The Rijeka social supermarket has more than fifty regular members and about 400 volunteers who distribute about 800 packages each month to the 500 most socially vulnerable families in the Rijeka area (according to SSM Rijeka-Web page). It provides services to all citizens who have been denied the benefits of normal living. A typical user of the Rijeka social supermarket has no income and is unemployed. Pensioners and people who work low-wage jobs are its users, too.

Figure 4. Social supermarket Rijeka - Facebook page as a basis of communication with wider public



Source: <https://www.facebook.com/SocijalnaSamoposlugaKruhsvElizabete/timeline> (accessed on 06th October 2015)

The activities of the Rijeka social supermarket are divided into weekly, biannual and annual actions, regardless of the weekly food collection at retail chains or participation in annual events. The Rijeka social supermarket depends on donor funding, of which the most important donors are citizens themselves. It could be concluded that it enjoys the biggest exposure in media versus other social supermarkets in the country, which in turn contributes to citizens being its most important donor group. For instance, Novi list, JaTrgovac and numerous portals are covering their activities in positive manner on periodic basis.

On the other hand, they foster active communication via social networks and social media. Particularly they are active at Facebook where they promote their activities and events on regularly basis and search for donations of particular goods for individual users when there is scarcity of goods in physical location of supermarket. Moreover, they are active on Youtube, where they place insights, interviews, published media materials and taped promotional and fundraising activities within supermarket, the channel is connected with their Facebook page (see Figure 5).

Figure 5: “Socka na Youtubeu” – as a promotional channel of Social Supermarket Rijeka



Source:

https://www.facebook.com/SocijalnaSamoposlugaKruhsvElizabete/socka_na_youtubeu
(accessed on 06th October 2015)

All social supermarkets in Croatia are faced with similar challenges. However, the Rijeka social supermarket is unique in its positive outcome of their operations and openness to media, both traditional and modern social media which, among all other factors, ensured business continuity from the beginning till nowadays. The Rijeka social supermarket is led by educated and successful professionals who dedicated their careers to improving the quality of lives of their fellow citizens.

4.2. Fundraising activities

The relatively large number of members allows the Rijeka supermarket to be more successful at new projects as well, which help expand the set of services provided. As mentioned earlier, the activities of volunteers are divided on a weekly, biannual and annual basis.

The organization counts about 400 volunteers and approximately 50 permanent members (to SSM Rijeka-Web page). At its core, these volunteers are young people aged 25-35, proving that younger generations are indeed willing to participate in charity (Dzambo, 2015).

Fundraising typically occurs through three different types of actions: (1) the annual „Young against hunger“ initiative (2) Saturday fundraisers at retail chains, and (3) participation in local city events. These carefully planned fundraisers enable the organization to run its operations continually. All activities are widely covered in their social media activities, as we mentioned earlier.

“Young against hunger“ is their key fundraiser. It involves students of Rijeka elementary schools who voluntarily gift one product each while being actively involved and solidary with the process. The activities conducted by “Young against hunger“ (and social supermarkets’ volunteers throughout Croatia, in particular those of the Rijeka social supermarket) span a wide range of activities helping social supermarkets run and thrive. The activities, and particularly their schedule and workflow, have been meticulously planned (see Dzambo, 2015).

Volunteers of the social supermarket Rijeka are present in one of the shopping malls each and every Saturday during the whole day, dressed in orange shirts, therefore in local public they are recognized as „orange charitables“. Thus, each Saturday they are present in Konzum Tower, Cash & Carry at Krimeji and Kaufland at Zamet, patiently distribute leaflets and collect money, food, and other goods (Novi list, 2013).

Figure 5. “The Orange charitables of Rijeka” in action



Source: <http://beskucnici-rijeka.org/wp-content/uploads/2013/03/socka1.jpg> (accessed: 20th September 2015)

Occasionally, they organize Futsal tournament taking place in the Hall of youth on Trsat under the moto: "entertainment for us, rescue to others" which have twofold benefit for community – it promotes recreational sports and gathers food and supplies for the poor. Because the specificity of this tournament is that each registered futsal team, instead of paying the registration fee in cash, is “paying” in food donations (Novi list, 2013).

The birthday celebration of Social Supermarket Rijeka is organized as an open door event for all stakeholders in local community. On that occasion, at their premises Brajda, gathered journalists, volunteers, users, and other interested citizens spend the day in socializing and conversation. And there is a joint lunch served bringing citizens together with volunteers and homeless people of Rijeka (Novi list, 2015). This activity articulates the undergoing situation of poverty and promotes Social Supermarket as a positive initiative in society which serves not only for food distribution for poor people, but as a point of a smile, a kind word, social attention and recovered dignity (as some interviewed users claim at materials available via Youtube channel).

5. CONCLUSIONS

Social supermarkets link potential donors to the socially endangered citizens (end users). These organizations are non-profit and help supply material necessities and provide advice to the poor. Social supermarkets as non-profit organizations have been active in Croatia since 2011. These associations combine commerce with entrepreneurial and non-profit domains toward achieving social inclusion, therefore fulfilling their very mission. It is through these aspects that the goals and the vision of their future activities is being established.

Challenges that social supermarkets face include financing and their very existence, in addition to their acceptance by the society and perception of their activities. At the same time, social supermarkets are projects on a voluntary basis focused on discovering the best formulas for their survival and further expansion. Social supermarkets are not limited to any specific

area-quite the contrary-which helps them a lot in fulfilling their purpose while leveraging the power of the society to help the individuals.

The most successful social supermarket in Croatia is “Kruh Sv. Elizabete” in Rijeka which managed to survive its initial set of business challenges and establish continuity of operation ever since foundation. As a result, the Rijeka social supermarket enjoys high recognition in media and has established itself as one of Croatia’s most regarded non-profits.

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THE ROLE OF INTERNAL AUDIT IN FOOD RETAILING

Boris Tušek; Sanda Renko; Petra Halar

Faculty of Economics and Business, University of Zagreb, Croatia

Abstract

The internal audit function transformed to an advisory and expert function and became a key factor of efficient business management. It also represents higher business control, evaluation, support and assistance in risk management, internal controls and corporate governance or in other words, internal corporate governance mechanism. Food retail sector and food retailers as significant part of national economy represent one of the most important and key economic sector in Republic of Croatia and activity that among first, after severe economic crises, achieves positive results. Nowadays, the presumption of business success are innovations and their acceptance by food retailers. These innovations allow businesses to save time and minimize costs that eventually lead to achieving competitive advantage and successful business. In this process, internal audit activity has irreplaceable role because it helps governance structures in making appropriate business decisions that improve food retailers business, their growth, development and existence in today's complex and uncertain retail environment.

From the theoretical and empirical point of view, this paper analyses the role of internal audit in management process of food retailers in Republic of Croatia.

Key words: internal audit, food retailers, management process, innovations, risk management

1. INTRODUCTION

Food retailers need quality and accurate informations in order to face with today's constantly changing and uncertain retail environment, to obtain the competitive advantage and successful business, to make rational decisions and for overall efficient management process. Therefore, the internal audit function becomes irreplaceable in assuring quality and accurate informations that enable more secure, faster and reliable management process. As an independent and objective activity internal audit adds value to food retail businesses by supervising and advising governance structures about internal controls, risk management and corporate governance. The object of modern internal audit becomes overall business operations oriented towards the future company's performance.

The main goal of this paper is to analyze the role of internal audit in management process of food retailers as one of the most developed, competitive and propulsive economic sector in Republic of Croatia that becomes a key mover and indicator of getting out Republic of Croatia from the recession.

This paper is structured in a way that after the theoretical background of internal audit and its iterative process, the review of the specific features of internal audit in retailing follows. Then

the methodology of an empirical research into the role of internal audit in food retailing is introduced. The research was conducted from May till June 2015 by survey research method. Thereafter the results of the empirical research and its limitations are shown. Finally, the paper concludes with the statement that internal audit function adds value to the food retailers. Namely, the results have revealed that the development degree of internal audit function in the food retailers in Republic of Croatia correspond to the development degree of internal audit function in the modern market economies.

2. THEORETICAL BACKGROUND

Retailers can be observed as unique systems consisted of mutually combined elements or parts of system that by working together provide economic activity for which they are registered. By providing that activity they are trying to achieve their main or key goal, profit or revenue surplus over expenses. Moreover, together with other companies and their activities every retail company represents a part of a broader system, market environment or market subsystem. Generally, the system consists of input, process, output and feedback. System receives inputs from its surroundings, processes them according to the supposed rules and results of that process sends back to its surroundings (Mamić Sačer and Žager, 2008:6). Control measurements or feedback have very important role in functioning of a system. Feedback is a regulator of the system and managerial instrument that tries to prevent irregularities that would eventually lead to unrealizing stated goals. It is represented by three basic forms of internal supervision: internal controls, internal audit and controlling. If retail companies want to exist and achieve competitive advantage among their competitors, they need efficient business management whose cornerstone are relevant and objective informations. Internal audit activity is an important information source for all levels of management and a support for goals achievement. It plays a significant role in creating companies competitive advantage and business success.

Modern concept of management has multiple meanings. It is a process and a total activity directed towards the establishment of long-term goals and strategies of operations and development, the allocation of resources and the direction and control of objectives. Management as a process encompasses several activities: planning, organizing, informing, human resource management, leading and control. These related and continuous activities are done at all levels of management: operational, tactical and strategic. Numerous management tasks and activities are implemented through decision making process that overarches the overall system and process of management. The decision making, as the most important management function, characterizes choosing between more opportunities and solutions for solving a problem. Managerial decision making is a way of achieving management and business functions. It is crucial for business success and future of retail company. The limitation in time is the biggest problem in decision making process. Therefore, more time against operational decision making process, where is needed less time, is necessary for strategic decision making process. Consequently, an adequate information input is the most important or key factor for good decision making process. Nowadays, management and decision making, as part of management, are based on financial and non-financial informations. Quality information is information that is relevant for decision making process and has several features: exactness, age, dimension, precision, completeness, adequacy and comparison.

All before mentioned shows that business management and decision making are very complex and complicated processes stipulated with lots of internal and external factors where governance structures need support. The internal audit activity is one type of support to governance structures that evolved together with evolution of companies and their functions and become irreplaceable function of modern businesses.

2.1. Literature review

Successful business and management of medium, large, decentralised and diversified companies in today's complex and uncertain environment is almost impossible without internal audit activity. In 1999, the Institute of Internal Auditors approved and proclaimed the new definition of internal audit for 21st century as it is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. As well, it helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Chapman and Anderson (in Ramamoorti, 2003:12-13) explain that this definition of internal audit presents a new image of the profession in six significant ways:

1. As an objective activity, not necessarily established within the organization, the revised definition permits internal audit services to be provided by “outsiders”, in effect acknowledging that quality internal audit services can now be obtained through outsourcing.
2. By emphasizing that the scope of internal audit encompasses assurance and consulting activities, the new definition projects internal audit as proactive and customer-focused, and concerned with key issues in control, risk management and governance.
3. By explicitly stating that internal audit is designed to add value and improve an organization's operations, the new definition underscores the significant contribution that internal audit makes for any organization.
4. By considering the whole organization, the new definition perceives internal audit's mandate much more broadly, charging it with helping the organization accomplish overall objectives.
5. The new definition assumes that controls only exist to help the organization manage its risk and promote effective governance. Such a perspective considerably broadens the horizons of internal audit and expands its working domain to include risk management, control and governance processes.
6. The new definition accepts that the internal audit profession's legacy, consisting of its unique franchise in being a standards-based profession, may well be its most enduring and valuable asset. Rigorous standards provide the basis for crafting a documented, disciplined and systematic process that assures quality performance on internal audit engagements.

The definition of internal audit for 21st century points two basic groups of internal audit activities: assurance services and consulting activities. For internal auditors, assurance activities are main and obligatory activities. The Institute of Internal Auditors (2012:1) defines assurance activity as internal auditor's objective assessment of evidence to provide an independent opinion or conclusions regarding an entity, operation, function, process, system or other subject matter. The nature of these engagements determines internal auditor and they involve three parties: the internal auditor, the process owner and the user. Assurance activities results are internal auditor's opinions and recommendations regarding the object of reviewing that are then being delivered to internal (management, Audit Committee) and external users (regulators, shareholders etc.). The finishing phase of assurance activities is follow up. On the

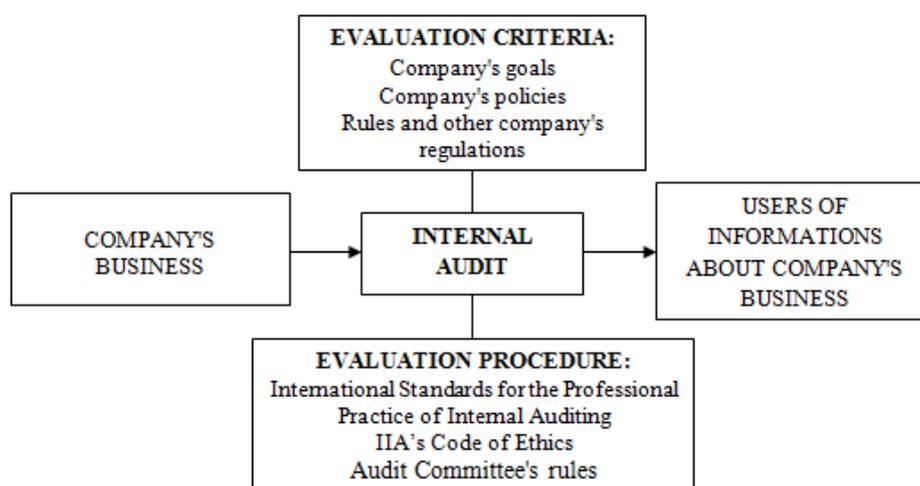
other hand, consulting activities are new and not obligatory activities for internal auditors. These activities are advisory in nature because internal auditors give advices to their clients regarding risk management, corporate governance processes, controls, adding value. The nature of consulting activities, reporting and follow up are subject of agreement between internal auditor and the client. So, this engagements involve two parties: the internal auditor and the client. Results of consulting activities are internal auditors recommendations and advices. It is very important to emphasize that when internal auditors provide consulting activities do not assume management responsibility and also they need to maintain objectivity.

According to Spencer Pickett (1997:5) internal audit is an independent assessment function established within an organization to examine and evaluate its activities as a company's service. Furthermore, the purpose of internal audit is to aid organization members, including its management and various committies in an effective discharge of their responsibilities. Also, the author states that internal audit provides management with analyses, evaluations, recommendations, advice and information regarding organizational activities and that the objectives of internal audit include promotion of effective controls at reasonable costs. The definition of internal audit activity indicates its basic features: internal audit is conducted by persons (internal auditors) employed in the company which is being reviewed; it is an independent function of examining, judging and evaluating without any constraints or restrictions to an internal auditor's judgment; all company's activities fall within the scope of internal audit; internal audit is organized as a support and aid to management and an organization as a whole, which makes it a company's advisory (central) rather than a linear function. Vinten (in Spencer Pickett, 1997:7) stresses that internal audit is a continual and extensive research of seemingly good organizations aiming at gaining an insight in the real state of affairs or a position of the organization and its surrounding in order to achieve better control over future operations. Contrary to all previous definitions of internal audit, this one stresses the need of focusing internal audit on improving the future company's operations as opposed to only reviewing past events.

Internal audit function is set towards appraisal and evaluation of internal control systems and the efficiency of company's operations and the effectiveness of the organization in order to identify and implement better solutions and improve the governance process. One of the fundamental tasks of internal audit function becomes advising management on possibilities of risk management notably in forming and supervising an appropriate internal controls system as a risk management tool where the entire responsibility lies upon the management. Internal audit department is not responsible for successful risk management. It is the responsibility of a company's management structure which has a duty to define appropriate ways or strategies for risk management. However, an internal auditor has a professional obligation and responsibility to act as a support or service to the management in the process of risk management.

As Figure 1. shows, the object of internal audit activity is company's business, while the evaluation of the complience of company's business with assumed evaluation criteria's: company's goals, policies, rules and other regulations is the subject. The procedure of compliance evaluation is determined with International Professional Practice Framework and Audit Committee's rules. When the procedure of internal reviewing is done, internal auditors deliever the final report to interested users, internal (auditee, senior management, Audit Committee, board of directors, etc.) and external (external auditors, shareholders, regulators, suppliers, etc.).

Figure 1. Internal audit's evaluation criteria and procedure



Source: Tušek, B., Žager, L., Barišić, I. (2014), *Interna revizija*, HZRFD, Zagreb, pp. 55

Internal audit as profession has transformed significantly over past fifteen years. Kapoor and Brozzetti (2012:32) identified that several factors have contributed to this change, including the increased complexity of a globalized marketplace, high-profile fraud and corruption scandals, new laws and regulations, and increased demand from stakeholders for greater assurance.

Table 1. A comparison of internal audit function, then and now

THEN	NOW
Provided assurance over threats (i.e., the downside of risk)	Provides assurance over threats and opportunities (i.e., the downside and upside of risk)
Performed discrete audits on compliance with internal controls	Performs integrated audits on governance, risk management and controls
Acted as a back-office function	Acts as a front-office function
Provided lagging indicators about risk	Provides leading indicators about risk
Was the “cop” that management avoided	Is the “expert” that management seeks

Source: Kapoor, G., Brozzetti, M. (2012), The transformation of internal auditing: challenges, responsibilities and implementation. *The CPA Journal*, August 2012., pp. 33, available at: <http://search.proquest.com/docview/1055683143/fulltextPDF/893772B11B724AEQPQ/1?accountid=132154> [accessed 14.07.2015.]

Table 1. shows the comparison of internal audit function in the past and today regarding significant changes that happened in nature and scope of work and understanding of internal audit. In the past internal audit provided only assurance over downsides of risks, but now it provides assurance over downsides and upsides of risks. Before internal auditors performed discrete audits on compliance with internal controls, but now they perform integrated audits

on governance, risk management and controls. Before internal audit acted as a back-office function and today acts as a front-office function. Internal auditors in the past provided lagging indicators about risk but now they provide leading indicators about risk. Before internal audit was understood as the “cop“ that management avoided, but now is understood as the “expert“ that management seeks. Firstly, internal audit was performed as internal financial audit, but then developed to operational audit and finally developed into management audit. Internal financial audit's scope of work was protecting from asset divestments, reviewing and examining accounting informations and evidences. Operational audit focused on systems of internal controls in business functions or reviewing all business processes. Management audit is reviewing the whole company's business processes and operations with emphasis on informations necessary for the future.

The role of internal audit function in decision making process is very important and irreplaceable in modern uncertain working conditions because internal audit activity determines reliability, reality and integrity of financial and non-financial or operational informations which then become the cornerstone of decision making which becomes faster, secure and more reliable. So, in the end all that leads to appropriate business decisions on all management levels. It is clear that managers rely on informations provided by internal auditors as professional, independent and objective persons. On the whole, Spremić (1996:140) systematizes the scope of work of modern internal audit on a following way: it improves the accuracy and reliability of accounting and operational data and information as a basis for decision making; it determines an extent of compliance of operational services with a company's policy; it protects from asset divestment; it minimizes fraud risks by disclosing weaknesses in business operations and controls which may prevent fraud; it evaluates a total efficiency of company's operations; it makes a disclosure and elimination of unsuccessful and inefficient operations possible; it shows the compliance with legal provisions and it points at implementation of company's internal instructions.

Independence and objectivity are the most important assumptions for the quality, proactive and customer-focused internal audit process. The independence is an assumption set on internal audit department or activity, while objectivity is connected with internal auditors as persons. To achieve organizational independence, chief audit executive must functionally respond to the board and administratively to the chief executive officer. That means that the chief audit executive must report to a level within the organization that allows the internal audit activity to fulfill its responsibilities (The Institute of Internal Auditors, 2012:4). Regarding to the second assumption, objectivity, The Institute of Internal Auditors (2012:4) emphasizes that internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. Also, it is very important to adequately organize the internal audit department. Firstly, the internal audit was organized within other departments, such as finance, accounting, controlling department. So, traditionally internal audit was organized as part of finance department so the internal auditor was responsible to the financial manager. This is very unfavourable internal audit's organizational position because it makes impossible to review other company's functions what leads to decreasing its authority and scope of work. With broadening the internal audit's scope of work, internal audit was organized equally as other linear functions in the company. Thus, internal audit becomes an independent department. Nor this internal audit's organization is not appropriate because it limits its access to all parts of organization so internal audit cannot fulfill its functions as internal corporate governance mechanism. Because first two organizational status of internal audit were not adequate in terms of independence and objectivity, medium, large, decentralised and diversified companies organize internal audit department as the advisory body of the

management board and the supervisory board. After that, companies developed the best way of organizing internal audit department. Therefore, internal audit is organized as the department directly responsible to the Audit Committee which is the advisory body of the supervisory board. This kind of organizational status allows professional, competent, objective and independent reviewing and efficient supervision of management work on all levels in the company without any restrictions. For this reason, internal audit activity becomes internal corporate governance mechanism and advisory management function.

As objects and scope of internal audit activity among different companies are generally very different and changeable, the process of internal audit has no strictly standardised structure. But, corresponding with the context of basic internal audit process terms of reference – internal audit standards and code of ethics, accepting similarities and differences in their operation in theory and in practice, a fundamental phases of this iterative process are following:

1. planning the audit,
2. examining and evaluating information,
3. communicating results,
4. follow up.

How will the development of the internal audit process be approached by some company depends on a previous analysis of critical factors, such as audit board committee's rules, professional judgement of internal auditors, particular management's requests, practical experience, etc. It is important to bear in mind that internal audit standards have been created so that their context gives only a minimum framework for defining approach to internal audit performance, allowing flexibility for the development of a particular context of that process in particular organization, taking into account before mentioned impacts and circumstances.

3. SPECIFIC FEATURES OF INTERNAL AUDIT IN RETAILING

Global modern retailing faces with several trends that are challenging for retail businesses, their management and decision making process. They include (Tordjman, 1995:41-45): concentration, internationalisation, reduction the number of stores while increasing the mass of its surface, reduction in stock with increasing the variety of services and decrease in sales revenue per square metre of sale surface with increase in margin.

The key presumption of business success in modern retailing are innovations, adaptation and embracing changes. The modern marketplace is characterized and impacted by the disruptive changes that have turned into several trends, such as mobile retailing, faster retailing, innovative retailing. Retailers are willing to adopt new technologies and innovations so that they can be 24/7 available to their consumers, achieve competitive advantage and successful business. Modern retailing characterizes the appearance of technological innovation, such as: the transformation of POS devices, RFID technology, self-service technology (self-service and self-checkout devices), internet selling, mobile technologies, warehouse automatization, loyalty programs, etc. Deloitte (2015:5) states that mobile POS systems will continue to enable inventive pop-up stores, trucks and kiosks; retailers will be vertically integrated and vertically transparent; in some cases the middleman will be cut out completely, with no physical stores, no inventory, no warehouses, but rather made-to-order direct from manufacturer and the line between retailer and producer will begin to blur in new ways. Also, according to Deloitte (2015:5) retailers are embracing technology and using it in creative ways and with the internet of things, we can soon expect retail innovations like automatic

purchasing and delivery with connected homes and refrigerators. Retailers need to adjust to these changes and keep pace with competitors if they want to be successful. So, retailers need to reduce costs through saving, business process improvement initiatives, outsourcing, etc.

This new technological trends and innovations in retailing are creating new threats and risks for retailers. Because of that, retailers continually need to pay attention about these changes, introducing new laws, regulations, rules, standards regarding stores assortment and particularly regarding the food assortment. All of these changes are affecting internal audit function, so internal audit operations need to be done more with less. According to Protiviti (2012:3) this pressure affects many loss prevention programs, which face resource constraints (and some retailers continue to suffer higher losses, as a result of cutbacks in this area); on the transformation front, periods of flux often give birth to new and/or heightened risks, as well as a growing potential for fraud.

For supporting retailers in managing risks, achieving their goals, competitive advantage and successful business, retail internal audit functions are striving to add value by focusing their efforts on the following four key areas (Protiviti, 2012:2-3):

1. Increasing the use of technology to audit key business process controls (e.g., HR records management, IT asset management) more effectively
2. Addressing and managing existing and emerging risks holistically
3. Enhancing efficiency through technology-enabled auditing
4. Nurturing internal collaboration and networking externally.

The first key area, increasing the use of technology to audit key business process controls more effectively, is important because internal audit's usage of technology increases efficiency and effectiveness of business processes, frees up scarce resources (that can be used in other business processes), enables developing improvements and innovations, enables efficient risk management, better monitors controls and therefore prevents fraudulent activities and asset divestment. The result of Protiviti's survey (2012:4) suggest that internal audit functions within retail organizations appear to lag behind other departments in terms of using technology and results also show that majority of internal audit functions are not using a software tool to administer their audit processes; among those that are, many are not leveraging these tools to their fullest extent. The second key area, addressing and managing existing and emerging risks holistically, emphasizes beside existing and familiar risks related to fraud, information technology, efficiency demands and governance, the two new groups of threats and risks related to cloud computing and social media applications. This two areas open entirely new problems regarding security issues, privacy vulnerabilities, and other risks. Together with other organizational departments and processes, internal audit activity is included in the process of evaluation, monitoring and managing these technologies and their risks. Therefore, internal audit activity needs to have adequate technology support. The third key area, enhancing efficiency through technology-enabled auditing, emphasizes that if internal audit departments and internal auditors want to be efficient is very important to implement continuous auditing, continuous monitoring and computer-assisted audit tools (CAAT's). In that way, internal auditors save time, reduce costs and free up scarce resources that can be used for other purposes. Finally is the fourth key area, nurturing internal collaboration and networking externally. Protiviti's study results (2012:7) indicate that internal auditors within the retail industry remain committed to elevating their performance in three ways: forging stronger, more collaborative relationships with the Audit Committee of the board of directors (as well as other corporate directors and the executive leadership team); developing select skills related to technology, time management and relationship-building and

strengthening their function's overall capabilities through outside networking and practice-sharing.

On the whole, the presumption of business success in retailing/food retailing are innovations and their acceptance by retailers/food retailers. These innovations allow businesses to save time and minimize costs that eventually lead to achieving competitive advantage and successful business. In this process, internal audit function has irreplaceable role because it helps governance structures in making appropriate business decisions that improve food retailers business, their growth, development and existence in today's complex and uncertain retail environment. Because of this, retail internal audit function needs to be more collaborative with all of the different organization parts and also more strategic for solving new tasks and risks to become internal corporate governance mechanism in its real meaning.

4. METHODOLOGY

The internal audit, as an important business function of modern retailers and best described as advisory and expert function, has become a key and irreplaceable factor of efficient business decision making process and management. All this leads to achieving competitive advantage and successful business. As theoreticians and practitioners are more and more interested for and align on internal audit activity, there are increasing numbers of examinations of that field of modern business economy. There are relatively small amounts of data and informations and almost no independent research about the role of internal audit in retailing in general and in food retailing as an important economic sector in Republic of Croatia, so the goal of this paper was to examine and to investigate the role of internal audit in that quite unresearched area that has very important role in the recovering national economy and getting out Republic of Croatia from the recession.

In general, retailing can be defined as serving consumers for personal or household usage. Croatian retailing is following global modern retailing trends that is best seen in the considerable influence of retail sector on the national economy. According to the Croatian chamber of economy (2015), share of the retail sector in the GDP is about 10% (2012), 26,03% (2013) is the share of entrepreneurs in retailing towards the total number of entrepreneurs in Croatia. Also, trade in general is the leading or the second biggest employer in the national economy (15% of all employees), after manufacturing industry while within the trade sector the biggest employer is retailing. Leading characteristics of Croatian retailing market are concentration, internationalisation and consolidation. Retailing is the most developed, competitive and propulsive economic sector in Republic of Croatia. Research of the mixed goods market showed that ten leading traders are holding about 72% of the market. Retail market is also characterizing rearranging processes because some retailers have left while Ikea entered on the national market. Very important event for Croatian economy and retailing is Agrokor's takeover of Mercator.

According to the Croatian chamber of economy (2015), in the last ten months retailing turnover is constantly increasing. This case has been last recorded before the economic crises, in 2007. Retailing turnover in May 2015 has been really higher for 4,1% towards May 2014 and also represents the highest growth dynamic from September 2007 (table 2.).

Table 2. Retailing turnover, January – May 2015

Month 2015/Month 2014	Retailing turnover
January 2015/January 2014	2,10 %
February 2015/February 2014	1,60%
March 2015/March 2014	1,10 %
April 2015/April 2014	2,50 %
May 2015/May 2014	4,10 %

Source: Croatian Chamber of Economy, available at: <http://www.hgk.hr/sektor-centar/sektor-trgovina/hrvatska-maloprodaja-u-skladu-s-europskim-i-svjetskim-trendovima?category=68> [accessed 17.08.2015.]

Ten leading retailers in Republic of Croatia in 2014 are Konzum, Plodine, Lidl Hrvatska, Kaufland Hrvatska, Tisak, Spar Hrvatska, Tommy, Mercator – H, Billa, DM – Drogerie Markt.

The empirical research into the role of internal audit in food retailing was conducted from May till June 2015. The sample included ten food retailers in the Republic of Croatia. The sample aimed to cover medium and large organizations measured in terms of total revenue in 2014 that have in their organizational structure internal audit activity in some form. The survey questionnaire was distributed in person and by email to the food retail companies included in the sample and they were addressed to managers, management board members and internal auditors. The main research goal was to investigate and examine the role of internal audit in management of food retailers that work on the whole territory of Republic of Croatia or in other words, to investigate and examine the contribution of internal audit activity in the management process and its improvement and to see does internal audit activity actually represent the key factor of quality decision making process.

Throughout the research period (two months, May and June 2015) eight completed survey questionnaires were returned from selected research sample. Research goals were achieved by collecting general informations about research sample through web pages (web pages of the food retailers in the sample, FINA – Register of annual financial statements, Sectoral analyses and other relevant sources) and by survey method. The survey method of research was conducted by a survey questionnaire that consisted of four sections (the total of 14 questions), which were devised according to the research objectives: 1. to investigate the current situation and the presence of the internal audit function in food retailers; 2. to investigate the internal audit's activities in food retailers; 3. to investigate the key role of internal audit activity in food retailers; 4. to investigate the mutual relationship between internal audit activity and controlling as two very important forms of internal supervision. Basis of forming and combining the survey questionnaire was studying existing relevant literature about internal audit and three existing research: Internal audit in Croatia conducted in 2012 by the PWC Croatia and the Croatian Institute of Internal Auditors (HIIR), Research into the involvement of internal audit in the risk management process of Croatian companies conducted in 2009 by Tušek and Pokrovac and empirical research about The role of internal auditing in the increase of business quality of enterprises in the Republic of Croatia conducted in 2007 by Tušek and Sever.

5. DISCUSSION OF THE RESULTS

As a matter of fact, the survey results were based on eight properly fulfilled questionnaires or answers of research sample (eight food retailers on the whole territory of Republic of Croatia). In the first part of the research, the basic information about the food retailers were gathered. General data and informations collected about the research sample included: the legal form of the food retailer, the ownership structure and the headquarters of the food retailer, the number of employees and the size of the food retailer according to the Accounting Act and the structure of research sample. According to the legal form of a company from eight food retailers that responded to the questionnaire, five food retailers are organized as a limited liability companies, two are organized as a corporations (shareholding companies) while one is organized as a commandite partnership. Six food retailers are in domestic ownership while two are in foreign ownership. The half of food retailers (four food retailers) have their headquarters in Zagreb while four other food retailers have their headquarters in Karlovac, Križevci, Omiš and Split. Three food retailers have less than 1000 employees and five food retailers have more than 1000 employees. Consequently, seven food retailers are large and only one food retailer is medium sized company. In the survey research have participated four internal auditors, three managers and one member of the management board.

5.1. General informations about the internal audit in food retailers

Beside the internal audit activity, as a major form of business activities supervision, also exist other different forms of internal and external supervision. Results of the empirical research have shown that in all, eight food retailers, exist management supervision and external audit, then in six food retailers exist internal audit department and controlling department while two food retailers have some other forms of supervision (table 3.).

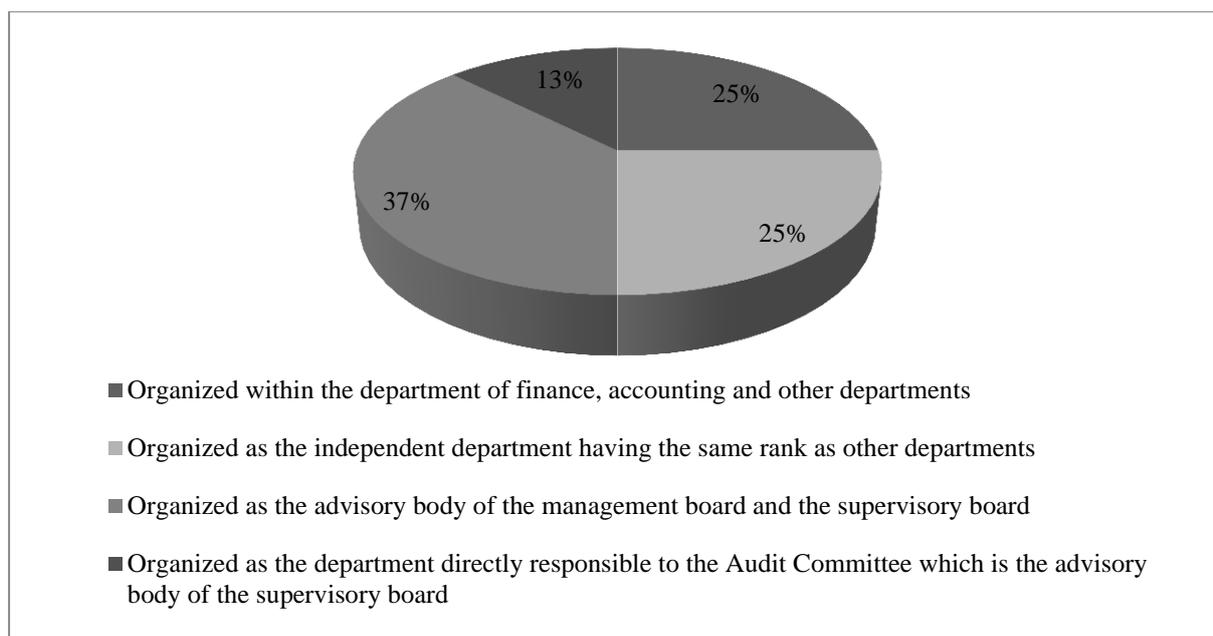
Table 3. The forms of supervision over business activities in food retailers

The forms of supervision over business activities in food retailers (more answers possible):	Number
Internal audit department	6
Controlling department	6
Management	8
External audit	8
Others	2
Total	30

As it was mentioned before, in the theoretical section, one of the main assumption of quality internal audit is its independence. According to this, in the research were five questions about: organizational position of internal audit, functional and administrative responsibility of the chief audit executive, adequate resources and continual education of internal auditors.

Graph 1. shows the organizational position of the internal audit function in the organizational structure of food retailers because the adequate organizational position of the internal audit in the organizational structure of the company is the key assumption for establishing an independent and objective internal audit function for better achievement of internal audit's goals.

Figure 2. Internal audit's organizational structure within the food retailer

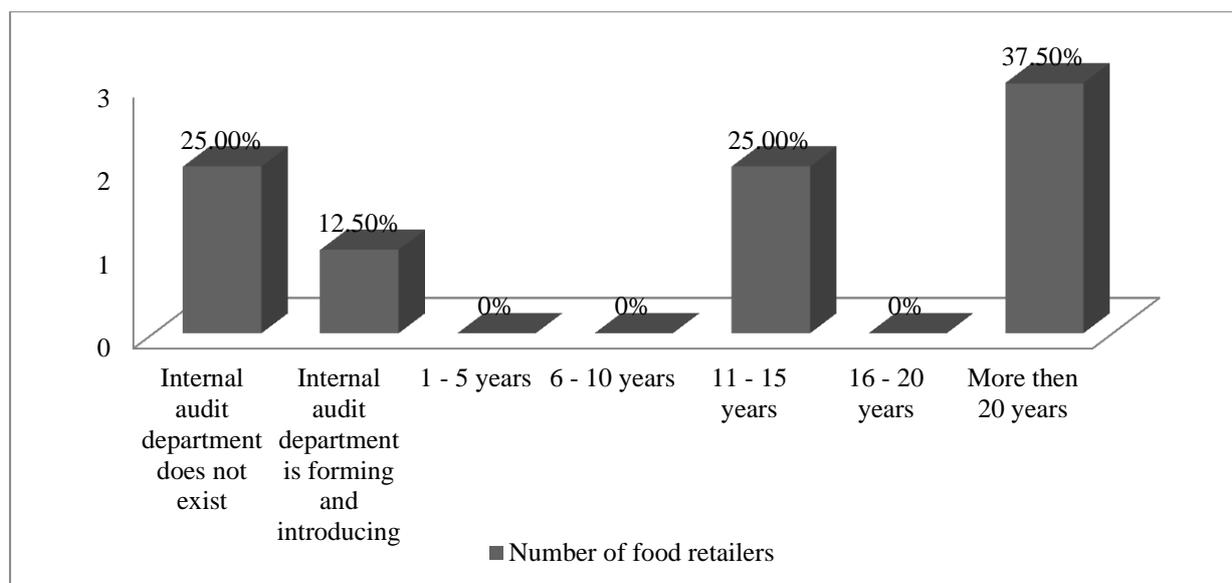


Results shown on the Figure 2. indicate that two food retailers have organized internal audit activity within the department of finance, accounting and other departments, two food retailers have organized internal audit activity as the independent department having the same rank as other departments, three food retailers have organized internal audit activity as the advisory body of the management board and the supervisory board, and finally one food retailer has organized internal audit activity as the department directly responsible to the Audit Committee which is the advisory body of the supervisory board as the best way of organizing internal audit function within the company.

To further examine the internal audit independence, very important are functional and administrative responsibility of the chief audit executive. Results reveal that the chief audit executive within the three food retailers is functionally responsible to board, in four to management while in one food retailer to accounting department. Regarding the administrative responsibility of the chief audit executive, in seven food retailers the chief audit executive administratively responds to management board while in one the chief audit executive responds to accounting department.

The efficient internal audit function needs adequate and sufficient resources for its work: human resources, financial resources and material resources. The fact is that management and/or Audit Committee are responsible for supplying adequate and sufficient internal audit resources while internal audit department and internal auditors are responsible for professional training and education of internal auditors. Majority of the respondents agree that their management and/or Audit Committee supply enough resources for internal audit activity. Also, they agree that it is very important that internal auditors are continuously educating and training, so they can be in touch with the latest changes and trends in internal audit operations and to achieve adequate level of expertise that is necessary for their work.

Figure 3. Age of the internal audit department in the food retailers



In order to present the current position, development and presence of the internal audit function in food retailers in Republic of Croatia it was investigated the internal audit department's age. Results on the Figure 3. show that one food retailer is currently introducing the department of internal audit while three food retailers have organized internal audit department for more than 20 years. Regarding the number of internal auditors in the department, six food retailers have employed up to three internal auditors while one food retailer has employed ten internal auditors.

In summary, some conclusions about the internal audit function in food retailers can be made as a result of previously shown empirical research results. Eventhough in several food retailers internal audit activity is influenced by management who is determining its scope of work, there are seen some positive changes because results have shown that three food retailers have organized internal audit activity as the advisory body of the management board and the supervisory board while one food retailer has organized internal audit activity as the department directly responsible to the Audit Committee which is the advisory body of the supervisory board. Also, the majority of the respondents agree that their management and/or Audit Committee supply enough resources for internal audit operations and that internal audit department adequately cares for continual educating and training of internal auditors.

The internal audit function in food retail sector in Republic of Croatia is getting more and more attention because the internal audit function is in one food retailer in introductory phase while in five food retailers internal audit function exists more than eleven years. Furthermore, results have shown that the majority of internal audit departments in food retailers are small departments because they have from one to five internal auditors, less then 7500 working hours of productivity per year and limited level of outsourcing and cosourcing.

5.2. Internal audit activities in food retailers

The question about the most important role of internal audit activity in food retailing is examining internal audit's non/acceptance of the modern trends and also is examining does management of food retailers accept the internal audit's role, meaning and usefulness.

Figure 4. The most important role of internal audit activity in food retailers

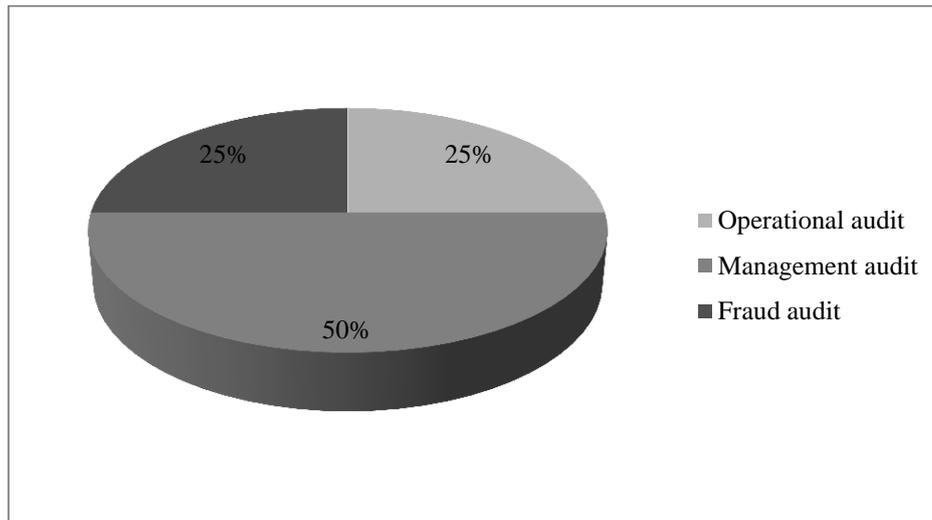
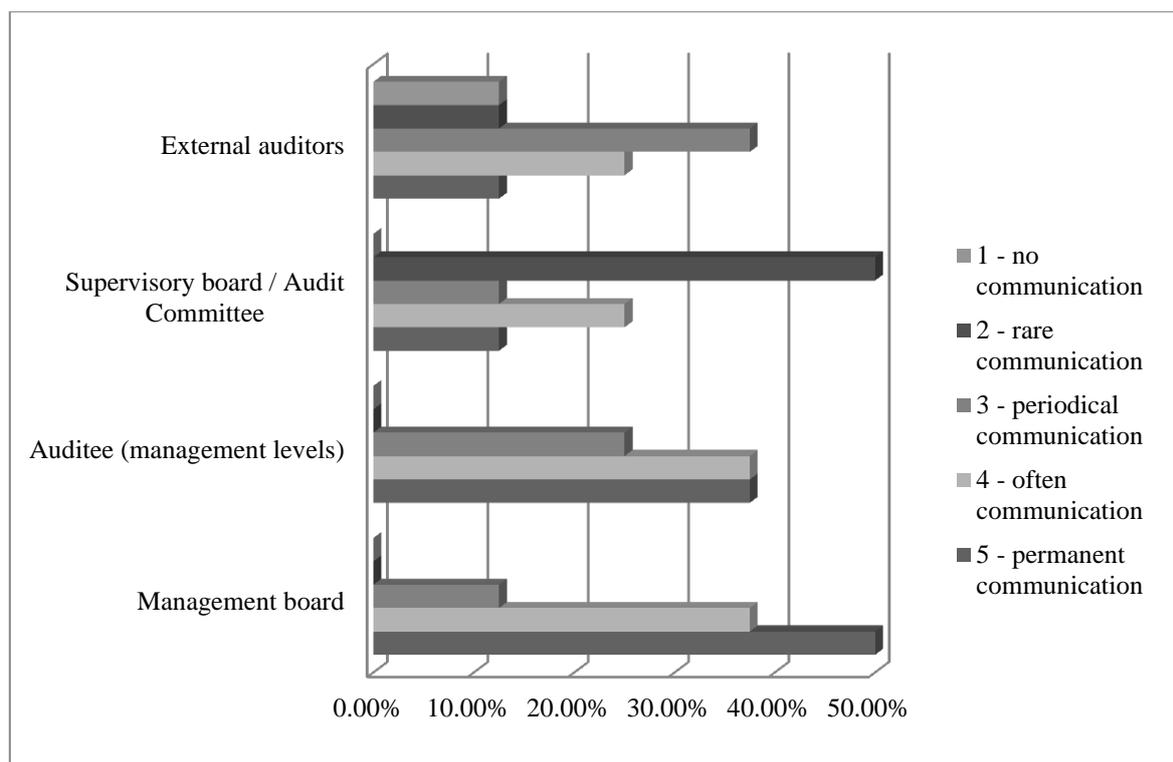


Figure 4. indicates that one half of respondents think that the most important activity of modern internal audit in food retailers is management audit while two respondents perceive operational audit and fraud audit as the most important. Results are confirming that internal audit activity is gaining very important role in food retailing sector because its management accepts the role, meaning and usefulness of internal audit. Due to this, management audit is the most important activity while fraud audit is gaining more importance, so internal audit activity in food retailing is reaching global modern trends in internal audit.

Then were examined the fundamental phases of the iterative process of internal audit: planning the audit, communicating results and follow up. Regarding to the phase planning the audit, within one food retailer, internal auditors update audit plan every two years or more. But, in seven food retailers, internal auditors are updating internal audit plan annually while in five food retailers beside annual plan update, internal auditors update audit plan several times during the year. That is important because it secures flexibility of the internal audit plan so internal auditors can adjust audit plan to the changeable working conditions of food retailers. Furthermore, internal auditors within five food retailers use new risk-based approach, meanwhile internal auditors within seven food retailers respect management demands while making audit plans. In brief, results indicate that internal audit plans in food retailers are flexible and made on risk-based approach so internal auditors can react quickly on constantly changing environment and management demands or otherwise, internal auditors are capable scarce resources quickly guide to unplanned critical areas.

Quality reporting process assumes management and auditee's involvement in all parts and phases of internal audit process because during the internal audit examining and evaluating informations, mistakes can be corrected and recommendations can be passed. This emphasizes and characterizes the internal audit as aid, assistant and advisory function within the company. Figure 5. shows that internal auditors in food retailers mostly communicate with management board and auditees. On the contrary, communication with supervisory board/Audit Committee is not so often.

Figure 5. Frequency of internal auditors communication



In brief, conclusion is that internal auditors communication with management board and auditees is good because they can pass relevant actions and adequately manage the retail company, but also they need to increase communication with supervisory board/Audit Committee and external auditors to ensure more quality and better management of the company. Regarding to this, Tušek (2015:191) also conducted an empirical research which examined the influence of the Audit Committee on the internal audit operations in the company, with respect to quality improvement regarding performance, achieving expected results, purposes and the objectives of the internal audit function. Results of the performed analysis and tests show that the inclusion of the internal audit operations in the activities of the Audit Committee influences the increase of the quality of the internal audit function in a company (Tušek, 2015:201).

Table 4. The internal audit reports recipients

Internal audit reports are most frequently delivered to (more answers possible):	Number
Management board	7
Supervisory board/Audit Committee	2
Auditee (management levels)	4
External users	0
Others	0
Total	13

International standards for the professional practice of internal auditing quote that the basic rule is that internal audit reports must be delivered to a level within the organization that will consider the internal audit report's content with due care and allow internal audit activity to

fulfill its responsibilities. Seven respondents answered that internal audit reports are delivered to management board, four to auditee and two respondents answered that reports are delivered to supervisory board/Audit Committee (table 4.). It is relevant that recipients or report users are limited to minimum and that all recipients know about each other.

Results also shown that the majority of respondents completely agree that the internal audit recommendations are completely accepted. Respondents mostly agree that internal audit function represents aid in forming and supervising internal control systems and successfully accomplishes compliance audit with internal rules, policies, programs of the retailers. Majority of the respondents consider that internal audit activity examines accuracy, reliability, reality and integrity of financial and non-financial informations, assists and contributes to economical and efficient use of resources. According to them, internal audit function is irreplaceable in preventing and detecting frauds.

5.3. Key role of the internal audit in food retailers

Internal audit function in food retail sector is reaching global modern trends in internal audit. Majority of the respondents agree that internal audit function has high orientation towards internal controls, but nowadays the focus is moving towards the process of risk management.

As internal audit function is focusing on risk management, the research has confirmed that respondents agree how internal audit activity is support and service in risk management and it secures guarantee about adequacy of whole risk management process. Also, internal audit function gives propositions about possibilities to improve the process of internal audit and internal controls. In short, internal audit function contributes to quality of risk management in the food retailers.

Results also show that internal audit function is relevant support to corporate governance, its role is irreplaceable in adding value to food retail business and improving business quality. Furthermore, its role is important in the strategic management process or in determining the aims, objectives and strategy of the food retailers. An important and continual question to consider while examining the contribution of internal audit function to strategic management is the competence and education of internal auditors in assessing and examining strategic objectives and the strategy of the food retailers. Respondents agree that internal auditors are competent enough for examination and assessment of defined strategic aims and objectives. And finally, internal audit function is the most important or key factor of quality decision making process and overall management.

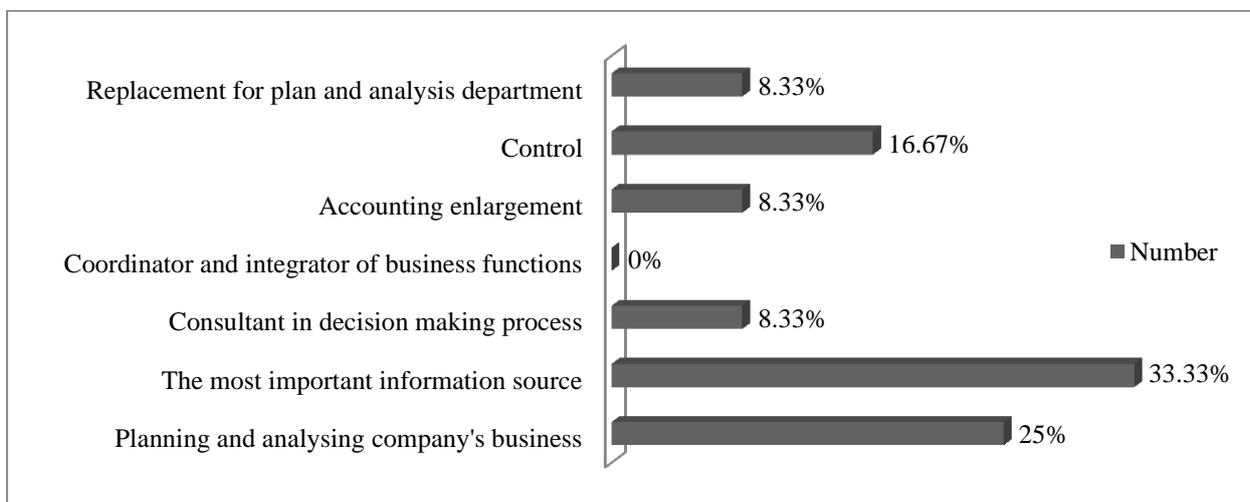
To conclude, the results of empirical research show that internal audit activity adds value to the food retail business and that internal audit is becoming valuable and important function of food retailers management.

Traditional internal audit function, whose emphasis is on internal financial audit, primary uses financial ratios, while modern internal audit function, that includes operational audits and management audits, beside financial ratios considers non-financial ratios. So, results show that all respondents think that financial and non-financial ratios are equally important.

5.4. Mutual relationship between the internal audit and the controlling

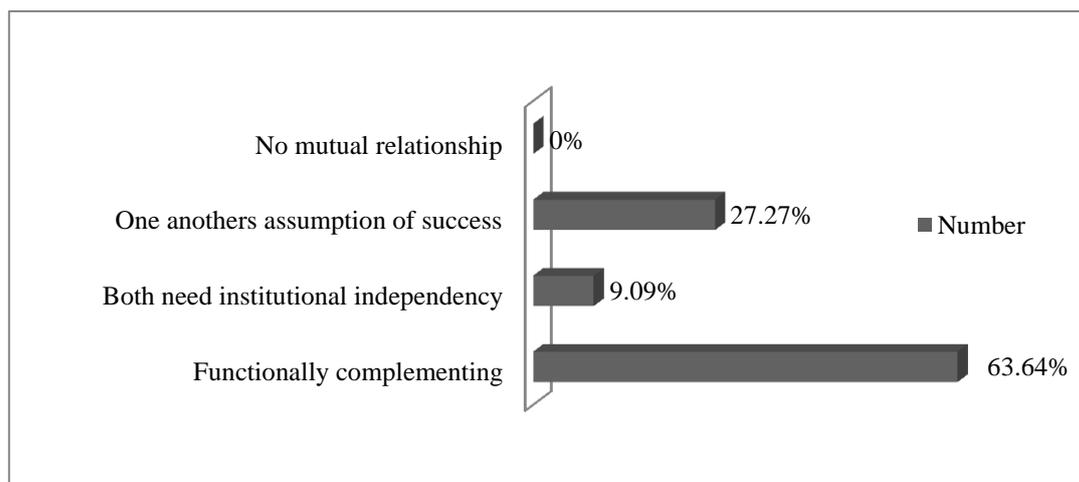
According to the Figure 6., respondents mostly consider that controlling is the most important information source (input), planning and analysing company's business and consultant in decision making process what is adequate perception of the controlling and this strengthens its role and activity in food retailers business. On the contrary, still some respondents do not have adequate attitude against controlling because some of them consider that controlling is enlargement of the accounting department, control and replacement for plan and analysis what is not correct perception because controlling is not accounting enlargement or control. This points that some respondents do not have enough knowledge about this field of business economy and that controlling is still new and young discipline. To conclude, the majority of respondents have adequate perception about controlling and its role in a company.

Figure 6. Perception of the controlling



Results on the Figure 7. show that majority of the respondents think that internal audit function and controlling are functionally complement activities, that one activity is to another assumption of the success and that they both need institutional independency. So, this proves that respondents have adequate perception of the role and mutual relationship between the internal audit function and the controlling.

Figure 7. Mutual relationship between the internal audit and the controlling



6. RESEARCH LIMITATIONS

There were three basic research limitations: size of the sample, business activity and time. The main research limitation was small sample. In the sample were included eight food retailers on the whole territory of Republic of Croatia, medium and large food retailers measured in terms of total revenue in 2014. So, the assumption is that the results can be generalized for all food retailers on the whole territory of Republic of Croatia, but this assumption is questionable because of the small sample of just eight food retailers. Small sample was the consequence of the fact that is very hard to collect data about the internal audit function in food retailing. The second limitation was limited time as very important limitation because it was very hard to collect data from chosen research sample as the time is a scarce and very valuable resource for all companies. The third and last limitation was limitation in business activity because the research was limited just on food retail sector and did not include other economic branches. By emphasizing this research limitations that need to be solved, this research is a very valuable assumption for further research in this area.

7. CONCLUSION

Internal audit is becoming an important function of business supervision, advisory and expert activity of all organizations as well as food retailers. It developed as necessity of food retailers for successful business due to separating ownership function from management function. Three key areas of modern internal audit's scope of work are internal controls, risk management and corporate governance. Nowadays internal audit function needs to change its audit approach to work, from old conservative and passive approach to new proactive customer-focused orientation. Furthermore, the object of modern internal audit activity becomes food retail business oriented towards the future. Internal audit function by analysing and evaluating food retailers business needs to give recommendations, opinions and advices about key risks and internal controls to governance structures and because of that becomes the key factor of corporate governance process or in other words, the internal corporate governance mechanism. Food retail sector is very important economic sector in Republic of Croatia because it develops faster than whole national economy and becomes a key mover of getting out Republic of Croatia from the recession.

The empirical research into the role of internal audit in food retailing in Republic of Croatia revealed some relevant and important conclusions. Results shown that internal audit function in food retailers is embracing global modern trends in internal audit because the department of internal audit is mostly organized as the advisory body of the management board and the supervisory board and as the department directly responsible to the Audit Committee which is the advisory body of the supervisory board. The most important activity of internal audit function in food retailers is management audit and internal auditors are implementing and using new approach, risk-based approach in audit planning. Internal audit activity is a key factor of efficient and quality decision making and management process because results have shown that internal audit function is support to corporate governance, is irreplaceable in adding value to food retail business and improving business quality and also its role is important in the strategic management process.

To conclude, the empirical research has shown that internal audit function adds value to the food retail businesses and that it is becoming valuable and very important function of food retailers because the results have revealed that the development degree of internal audit function in the food retailers in Republic of Croatia correspond to the development degree of internal audit function in the modern market economies.

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