

THE DEVELOPMENT OF RETAIL TRADE IN THE BORDER AREAS IN POLAND IN THE LIGHT OF SELECTED THEORETICAL APPROACHES

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Abstract. Over the past twenty years, retail trade in the border zone areas in Poland has been characterized by a great dynamics of change, mainly due to unregistered cross-border trade. The present article investigates the process in the light of theoretical approaches to the problem. The existing models, however, are applied to economic conditions in which the range of activity of the commercial enterprise depends mainly on its entrepreneurship, innovation and investment opportunities. The conditions of conducting commercial activity in the border regions of Poland during the period under investigation were fairly unstable and made the entrepreneurs respond rapidly to the changes underway. This is the reason why the concept of self-organization has been used to fully demonstrate the specificity of the development of cross-border trade and its complex, multi-faceted and multi-stage character.

Key words: retail trade, cross-border shopping, border areas, Poland

INTRODUCTION

Retail trade in Poland's border regions during the past twenty years has been characterized by a great dynamics of changes, mainly due to unregistered cross-border trade [Powęska 2008a]. Commercial activity required frequent adjustment to the changing conditions stemming from the implementation and enforcement of new laws pertaining to the mode and possibilities of crossing borders as well as the socio-economic transformation in Poland and the neighbouring countries [Powęska 2008b]. However, great financial profits from cross-border trade caused many business entities and natural persons to conduct commercial activity. In the 1990s, this was reflected in an increasing number of stores and marketplaces [Powęska 1995], and in the first decade of the 21st

century modern retail shopping centre formats began to appear in the border zone areas (for example, the Sanowa Gallery in Przemyśl).

MATERIALS AND METHODS

The aim of the study is to formulate a theoretical concept in order to explain the development of retail trade in a view of rapidly changing external factors affecting retail trade in the border zone areas of Poland over the past twenty years. The results of fieldwork research show that in the realm of trade in border regions the assumptions of the self-organization theory have been fulfilled, therefore this study attempts to create a model of the development of retail trade in cross-border zone areas to be based on this scientific principle [Nicolis and Prigogine 1977, Ayers 1988].

This objective has been achieved in two stages. The first step was to analyze the selected theories of the development of trade from the perspective of their adequacy to the problems of retail trade in the border regions during the transformation period. Next, taking into consideration that retail trade has fulfilled the assumptions of the concept of self-organization, the stages of development of retail trade have been presented according to this concept. The analysis of theoretical approaches based on literature has been enriched with empirical literature and the observations made by the author.

SELECTED THEORIES OF THE DEVELOPMENT OF TRADE AND THEIR IMPLEMENTATION

The models taking into account the time lapse factor and the theories used to analyze the development of trade under the influence of the surrounding environment play a significant role in the analysis of the development of retail trade [Grzesiuk 2010]. From the group of models taking into account the element of time the following ones were taken into consideration in this study: the wheel of retailing theory, life-cycle theory of a commercial enterprise [Sławińska 2008] and Tordjman's concept [Czubała 2001]. From the approaches analyzing the development of trade under the influence of the surrounding environment the evolutionary theory of retail trade has been taken into consideration.

The **wheel of retailing theory**, which was worked out in the form of a graphic model in the middle of the 20th century, represents the development of trade as three consecutive phases: market entry, attaining maturity (trading-up) and entry into the state of susceptibility to the threats from outside (vulnerable phase). During the phase of the market entry trading companies set low prices and the range of their products offered for sale is not very wide. This is possible thanks to low profit margins and a small number of employees. This enables the newly established firm to enter the market; however, other business entities emerge very quickly and they operate according to the same rules. This is the reason why the firm raises the standard of trade-related services through various kinds of investments, for example in the realm of store furnishings, by improving the quality and quantity of the goods offered for sale, by introducing the accompanying services etc. The investment costs cause the increase in profit margins and prices. This is the transition of

the entity to the trading-up phase during which a range of goods and services offered for sale is being expanded. This leads to further increases in prices. For this reason, the firm introduces innovations and undertakes investment activities. This results in an increase in sales and increased participation of the enterprise in the market. Sustaining high quality of goods and services entails a continuing rise in costs. That is why commercial entities enter the phase of susceptibility to the threats from outside during which they are gradually replaced by new retailers who offer their goods at low prices. This is the third phase of development. In the third phase, the “mature” commercial entity often continues to hold a strong market position; however, in order to maintain its position in the market it must conduct new activities including, among other things, market segmentation, product positioning, introduction of the new forms of promotion, changing the hitherto existing product packaging etc. [Borusiak 2008].

The wheel of retailing theory can hardly help to explain the development of retail trade in Poland's border zone areas during the period under investigation. The main reason behind it is a dynamic growth of unregistered cross-border trade, a remarkably high share of foreign customers among buyers as well as changes in the intensity of commercial activities being the result of the political, social and economic transformation in the neighbouring countries. Under these circumstances, a decisive factor for company's development was the mobility of its owner and staff as well as their ability to adjust the range and location of their activities to the rapidly evolving and changing market conditions. Innovativeness, which is the fundamental factor in the wheel of retailing theory, was not so important. It should be noted, however, that many commercial firms and enterprises operated, in part, in accordance with the assumptions of the first phase of the wheel of retailing theory since they entered the market and competed with already existing stores by setting low prices and by adjusting the assortment structure to the needs of foreign customers. It must also be observed that new business entities, which operate most frequently in marketplaces and bazaars, were charged with lower trading activity dues, which also made them more competitive as compared to the “mature” stores. Some of the “new” trading firms operating in cross-border areas, despite the absence of an element of innovation during the first phase of their development, expanded their activities by widening the range of services, by modernizing the look of the site of their activities, and, sometimes, by moving an existing business to a new location within the same locality, which allowed them to achieve the phase of maturity. The fact that many firms abandoned their activities was caused by the decreasing demand and not by the factor of competitiveness on the part of new enterprises. To sum up, the wheel of retailing theory does not explain all the implications of the development of trade, specifically in view of the pace and complexity of changes occurring in the border zone areas during the past two decades.

The enterprise life-cycle theory (ELC) based on the product life-cycle theory was put forward in the 1970s, when there was a remarkable increase in the number of various trading companies and a growing tendency towards the organizational concentration and formation of large-scale trade formats. With regard to commercial enterprises four phases of development were distinguished: start-up phase, growth phase, maturity phase and decline phase [Grzesiuk 2010]. This theory, like the wheel of retailing theory, explains, to a certain extent only, the processes of the development of retail trade in border regions.

Phase I, i.e. the start-up, assumes innovativeness, absence of competition and relatively small financial benefits. When we apply the aforesaid statement to the border zone areas in Poland, it is worth noting that the operation mode of most enterprises did not include an element of innovativeness; on the contrary, a certain spontaneity and primitive character of trade was noted, specifically as regards marketplace and bazaar sellers. High demand on goods on the part of cross-border shoppers coming to Poland from neighbouring countries caused the sellers to enter, without the need to conduct innovation activities, quite rapidly and smoothly into the phase II (growth phase) which is characterized by quantity development. In many cases, phase I (i.e. start-up market entry), and phase II (development) became joined together, thus enabling a given entity to achieve maturity. According to the life-cycle theory of trading enterprises, during the maturity phase (phase III) there appear many competitors in the market, so that the rate of growth in turnover and the profitability of the entity decrease. In Poland's border regions, the decline of profitability and revenues from commercial activity was an outcome of the decreasing number of cross-border shoppers from the neighbouring countries and not of the increasing number of competitors. In phase IV, referred to as the decline phase, the volume of the company's turnover and profits decrease and the successive new retailers appear in the market. In the border zone areas of Poland the phase of decline in turnover and profits was the result of gradually decreasing differences in prices and in the standards of living in the neighbouring countries on the one hand, and, on the other hand, of a large-scale introduction of new retail format stores, including department stores, large-surface stores, specialist stores etc.

To sum up, we can say that despite certain points of convergence between the tendencies set out by the life-cycle theory and observed in the development of retail trade in the border zone areas of Poland, this theory does not really help us explain the character and specificity of the process of development of retail trade in the border zone areas, since the trade life-cycle theory takes into consideration factors different from those affecting the retail trade in Poland's border regions. In the model of trade life-cycle innovativeness and competition play the most important part, and in the conditions of border zone areas the development of retail trade is influenced by unstable market which is dependent on external factors, spontaneity, mobility and the ability of rapid adjustment of the range and site of conducted activity to changing conditions.

Changes of organizational forms over time are illustrated by **Tordjman's concept** [Czubała 2001]. This approach made it possible to distinguish four phases of retail trade development: traditional, intermediate, advanced and highly advanced. Phase I is marked by low levels of concentration, prevalence of small family-owned firms operating independently of one another, and the entry of large-surface stores into the market. During the phase II there is still a dominance of small retailers, however this is the beginning of the processes of concentration and integration, specifically in food products trade. During the phase III, the number of trading enterprises decreases and, at the same time, the surface area of the stores increases. The process of cooperation and internationalization of trade can be observed in this phase. The phase IV of the development of retail trade, according to Tordjman's concept, is a modern trade with professional staff, high labour productivity, a very high level of concentration, integration, internationalization and with the use of modern solutions in various areas of the operation of enterprises. When we discuss the

processes of retail trade taking place in the border zone areas in Poland with reference to the concept presented above, we may say that this trade is undergoing the phase I of its development.

The fundamental assumption of the **theory of retail trade evolution** is the process of natural selection, and the survival of a commercial entity depends on its adapting abilities. Therefore, the greatest successes are achieved by those entities and firms that are characterized by flexibility in operation and the ability to adapt to changes in the surrounding environment. This theory is also called the theory of adaptive behaviours. The theory says that changes in retail trade may occur under the influence of various factors, including such important issues as changes in the structure of purchasers, technological advancement and the changing nature of competition. All in all, the development of cross-border retail trade is consistent with the evolutionary theory since commercial enterprises, operating in dynamically changing economic, political, organizational and legislative conditions, were forced to constantly adjust the range and form of their activities to ongoing changes. However, we must strive to obtain a model approach which, in addition to a general outline, will enable us to present the specificity and stages of the development of retail trade in border regions.

THE DEVELOPMENT OF RETAIL TRADE IN BORDER AREAS ACCORDING TO THE CONCEPT OF SELF-ORGANIZATION

The theoretical approaches presented above may be applied to stabilized market conditions in which the development of commercial entities is the result of the activities and measures undertaken by the enterprise. However, commercial firms in border zone areas in Poland had to operate under the conditions requiring rapid and frequent adjustment to changes occurring in the market, and in this situation trade was both legal and illegal, registered and unregistered, formal and informal.

Therefore, in order to present the development of retail trade in Poland's border regions during the transformation period it has been suggested to use a model that is appropriate for the characteristics of the phenomena marked by great spontaneity and imbalance. According to the author of this study, it would be appropriate to approach the subject using the concept of self-organization¹, which should be widely applied to the analysis of the socio-economic phenomena and processes during transformation years [Domański 2005]. Over the past twenty years, retail trade in Poland's border zone areas has met the following assumptions of the above-mentioned model: (1) systems are open to the flow of energy and matter; (2) they are characterized by non-linearity; and (3) they are far from being in a state of equilibrium. Poland's sudden shift from the central planning model to the free market economy resulted in the occurrence of the non-linear phenomena in many

¹ The self-organization theory, which was worked out on the basis of thermodynamics, can be applied to the behaviour of physical systems; it presents the mode in which complex systems pass from one structure to another, from one order to another [Prigogine 1967]. This approach has also been adopted in chemistry and biology. In 1977, the author of this theory was awarded the Nobel Prize in Physics.

areas of social and economic life (including trade). The full opening of the frontiers and the fact that Polish citizens were allowed to travel freely across borders permitted a flow of energy and matter, and the appearance of numerous spontaneous phenomena brought about a trade imbalance. Border zone areas were faced with certain chaotic activities in the realm of socio-economic behaviours, and the basic principle of self-organization proved right, namely "let everyone take care of himself as much as he can".

A sudden perturbation gives rise to the process of self-organization. For retail trade in the border regions this perturbation was caused by a sudden increase in the number of customers due to the introduction of the free crossing of national frontiers. This caused increased fluctuations, which were manifested in the intensified movement of cross-border shoppers. In response, there was an emergence of a large number of stores and small shops located within easy access to border crossing points, albeit unadjusted to the buying and selling activity; those were mainly marketplaces and bazaars where freehand, peddling and itinerant (door-to-door) trade dominated. It was, for the most part, an unregistered and unrecorded activity. The reinforcement of fluctuation led to the emergence of macroscopic movements. This was an outcome of a large-scale (often organized, for example organized coach group tours) movement of persons across borders for trading purposes. Commercial function has come to be an important socio-economic function in the border zone areas. One could observe increased supplies of goods sold in the border zone shops and stores and a partial clean-up of marketplaces and trade squares. Foreign buyers travelled for trading purposes farther beyond the range of border areas; that is why commercial activities, similar to those undertaken in border areas, were conducted in almost all localities in Poland, most frequently in areas with good transport access. This led to the rise of a new order and new structure sustained by the exchange of energy with the surrounding environment. In a new organizational structure of retail trade there was a co-existence of the various formats of shops and stores in border zone areas: in addition to the hitherto dominant small shops, new large-surface stores were established. The importance of traditional trade was enhanced by new associations and unions of merchants and traders. Diminishing differences in prices of similar goods in the neighbouring countries caused the number of cross-border shoppers to decrease. As a result, the incomes of the vendors declined; however, new organizational changes introduced at a local level increase the revenues of territorial self-government units. This enabled the people to conduct activities which were directed towards the creation of a new structure accomplishing more and more complex functions. In particular, this was carried out through the expansion in the realm of operation of retail trade. In many shops and stores located in border regions, in addition to the re-distribution of goods, services were also offered, and trade performed a number of social and economic functions, including those pertaining to the process of local development. The implementation and enforcement of new laws regulating the flow of persons across borders and the differentiated pace of social and economic processes in the neighbouring countries as well as increasing unemployment resulted in changes in the intensity of retail trade in border zone areas. That is why, new structures functioned at a certain distance from the state of equilibrium, which entailed the limitation of business activity, and sometimes even liquidation of many shops and stores in the border zone areas. At the same time, an increased scope of informal activities was observed again. Despite the difficulties, benefits flowing from the commercial function

stimulated other social and economic functions. This caused a given unit of territorial self-government to shift in the hierarchical system. The increase in the revenues from retail trade sales contributed to the raising of living standards of the population and yielded higher revenues on a local scale, which caused a given administrative unit to expand the range of realized social and economic functions (including educational, health care and health-related, production, social and other functions). The increased range of realized functions contributed to the improvement of the ability of absorption and diffusion of innovations, which translates into the acceleration of the pace of socio-economic development. There has been an inflow of highly qualified specialists, increase of human and social potential and the formation of distinct trading centres in border regions (such as, for example, Ślubice and Przemyśl). This resulted in the growing attractiveness of space. Trading activity caused the increase in the well-being of society and of the units of territorial self-government and the growing attractiveness of the given area, which contributed to the flow of investment (in trade and other sectors of social and economic activity). The appearance of these shocking phenomena affecting the retail trade is viewed as successive perturbations and fluctuations. They lead to the emergence of increasingly complex structures in which retail trade takes part by adjusting itself to the changing situation.

CONCLUSIONS

The study shows that the existing theories of the retail trade development do not fully explain the process of the development of retail trade in the border zone areas in Poland during the period of transformation. This is mainly due to the fact that the existing models can be applied to stabilized conditions and the range of activities of the commercial entity depends on its entrepreneurship, innovative activity and investment opportunities. However, during the period of transformation entrepreneurs undertaking trading activities in the border regions in Poland operated in very difficult conditions which required rapid and frequent adjustments to ongoing and multiple changes. Therefore, in order to present the development of the retail trade in Poland's border regions during the period of transformation the concept of self-organization was applied; this allowed the author to demonstrate the complex, multi-faceted and multi-stage character of the phenomenon.

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ROZWÓJ HANDLU DETALICZNEGO W OBSZARACH PRZYGRANICZNYCH W POLSCE W ŚWIETLE WYBRANYCH UJĘĆ TEORETYCZNYCH

Streszczenie. Handel detaliczny w obszarach przygranicznych Polski w okresie ostatnich 20 lat charakteryzował się dużą dynamiką zmian, głównie za sprawą transgranicznej nieregulowanej wymiany handlowej. W niniejszym artykule proces ten przedstawiono w świetle teoretycznych ujęć problemu. Jednakże istniejące modele odnoszą się do warunków gospodarczych, w których zakres działalności podmiotu handlowego zależy głównie od jego przedsiębiorczości, innowacji i możliwości inwestycyjnych. Warunki prowadzenia działalności handlowej w obszarach przygranicznych Polski w analizowanym okresie były mało stabilne, wymagające szybkiego dostosowania się przedsiębiorców do zachodzących zmian. Dlatego dla pełnego ukazania specyfiki rozwoju handlu przygranicznego, jego złożoności, wieloaspektowości i wieloetapowości zastosowano koncepcję samoorganizacji, którą szeroko stosuje się do analizy zjawisk i procesów społeczno-gospodarczych w okresie transformacji.

Słowa kluczowe: handel detaliczny, handel przygraniczny, obszary przygraniczne, Polska

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