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Created customer value by different trade formats of fast-moving consumer goods in Poland and Ukraine

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Abstract

Theoretical background: The main components of customer value are the product, brand and image, personnel relationships and service activities, and offer availability. In retail, the important attributes of the products on sale are their range, price and terms of sale, relevant proximity and the benefit of obtaining, which includes

spatial accessibility, emotional offer and time value. Modern trade solutions have created a wide range of opportunities for the client to facilitate access to the product offer through the introduction of various trading formats. The trade format should be understood as various concepts of retail outlet activity, which includes the formation of their infrastructure, immediate environment and the organisation of the sale of goods.

Purpose of the article: The goal of the article is to classify the factors that create customer value using various formats of retail trade in consumer goods in the Ukrainian and Polish markets.

Research methods: The following methods were used in this research: the abstract and logical method was used for generalising the theory and formulating conclusions; secondary research and survey were used for identifying the trends and patterns of efficiency in the studied factors; and the graphical method was used for visualising the results of the research.

Main findings: In certain formats of sales points, the value for the customers is the breadth of the choice of goods and their quality, location and speed of purchase, the benefits arising from the level of prices and promotions, the service level and the general climate of the time offered by a store. The availability and possibility of goods choice has formed certain trends and customer habits among the buyers of consumer goods who are showing a preference for large purchases in hypermarkets and discount stores, supplementing purchases in specialised stores and only infrequently (in the Polish version) in markets/bazaars.

Introduction

Trade in the modern economics of Poland and Ukraine has developed into a powerful sector (in terms of existing potential capacity, sizes and forms of sale). However, it is still subject to significant changes under the influence of the processes of internationalisation and globalisation, the development of information and communication technologies, the ever-increasing needs of customers and strong competition in the marketplace. A special role in meeting the customers' needs is played by the retail trade in consumer goods, classified as fast-moving consumer goods (FMCG).

This article aims to classify the factors that form customer value using various formats of retail trade in consumer goods in the Ukrainian and Polish markets. For this comparative study, the authors are tasked with indicating the common features and differences in the conditions and habits that customers have in these markets.

Literature review

Formation of value for a client is an element of the company management concept in which the client is treated as its means. It is assumed that the category of customer value (value to customer, customer value) was introduced into the scientific literature in the 1950s by Drucker (1993, p. 54), which gave an impetus to research and development in a sphere of various scientific disciplines. Often, this category is developed using the concept of enterprise marketing management (Mruk & Stępień, 2013, p. 15).

Zeithaml (1988) outlined value for the client to be the general assessment of product utility as a set of utilities that have been received in relation to what should be given/dedicated to them. The relationship between the utilities that a consumer obtains when buying goods on the one hand and the costs from money spent to buy

them on the other may have the form of a quotient as a result of dividing one quantity by another (Monroe, 1990, p. 46) or the difference between them (Horovitz, 2004, p. 34; Kotler & Keller, 2012, p. 137). Researchers pay attention to the possibility of identifying the entire set of customer values and the means to obtain them with their various attributes (Szymura-Tyc, 2005, p. 74).

In retail, the important attributes of the products that are on sale are their range, price and terms of sale, relevant proximity and benefit of obtaining, which includes spatial accessibility, emotional offer and time value (Sullivan, Adcock, 2003, p. 36). The client's costs associated with the choice are formed by: cash resources, time and energy expenditure, and the cost of mental energy (Kotler & Keller, 2012, p. 137; Kothari, 2018).

Modern trade solutions have created a wide range of opportunities for the client to facilitate access to the product offer through the introduction of various trading formats. The format of trade should be understood as various concepts of retail outlet activity, which include the formation of their infrastructure, immediate environment and the organisation of the sale of goods (Chwałek, 2014, p. 90).

The specific objectives that describe the format of a retail point of sale include: range, price level, sales area, location, type of service and variety of provided services (Borusiak, 2016, p. 73). Considering the given characteristics of the FMCG retail trade, a permanent shop and non-store retailing, modern and traditional distribution channels are identified. The following section of the paper uses the most common branch typology, which distinguishes a hypermarket, a supermarket, a cash & carry, a discount store, a corner store, a specialised store, an e-tail and a bazaar trade as separate types of sales points.

Research methodology

Field study, which allows the identification of the research base that has been reflected in the article title, was carried out by distributing an online inquiry form using two language versions of a research questionnaire posted on one of the research portals. The study was conducted in parallel in the Polish and Ukrainian markets at the end of 2016 on a sample of 640 households (335 Polish and 305 Ukrainian). The sample was quota controlled to ensure its better representativeness (by age, region of origin, type of settlement).

Results

The frequency of consumer goods purchases is one of the indicators that reflects the value of the attributes of the various sales points for the client. From the answers received, the larger the store, the less often purchases are made; the only exception

is discount stores. In hypermarkets, 52.6% of households in the Polish market and 85.6% in the Ukrainian one make purchases no more than once or twice a month (Figure 1). Individual customers (without a significant difference in whether it is the Polish or Ukrainian market) rarely make purchases in a cash & carry, and approximately half of them do not visit this type of store at all.

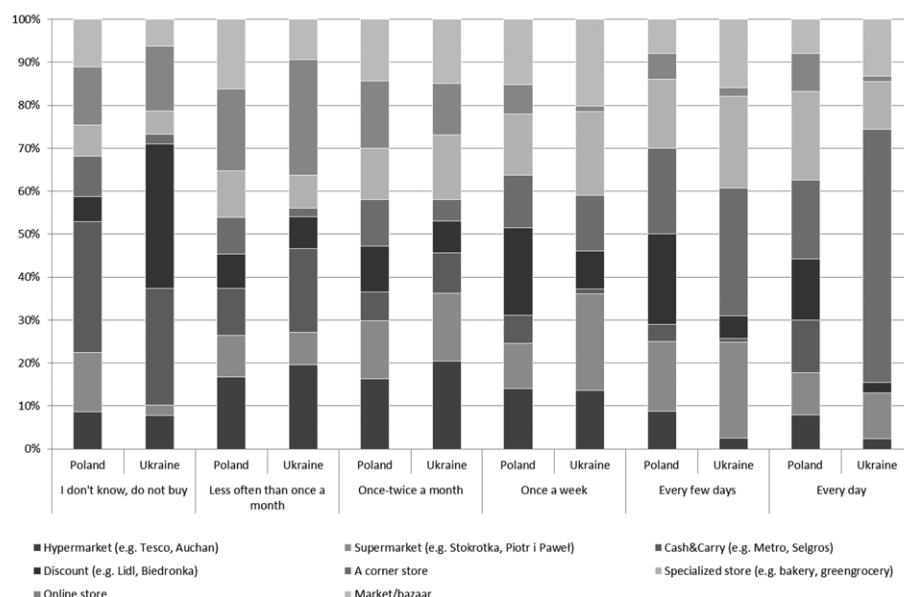


Figure 1. Purchase frequency in different stores

Source: Authors' own study.

Discount stores are popular in Poland and the frequency of purchases is the highest: 51.7% buy once a week or every few days, and 9.6% make purchases every day. Instead, in the case of the Ukrainian part of the study, such a situation was not noted. In contrast, 57.1% of clients do not use this format of trade.

However, most often, purchases are made in the so-called "shops near the house". Every day, from 12.5% to 14% of Polish and 33.8% to 6.4% of Ukrainian respondents make purchases there. Online purchases of daily consumer goods are not very popular because more than 20% do not buy *via* the Internet, and at the largest – 32.5% (in the Polish version) and 54.4% (in the Ukrainian variant) make purchases less than once a month.

For permanent markets (bazaars), a significant percentage of Polish consumers (more than 80%) make purchases there, but almost 49% are less frequent than once a month or once or twice a month. Ukrainians use markets and bazaars much more often: more than a quarter of the respondents do this every few days or every day. Moreover, among Ukrainians, there is a smaller percentage of those who do not make purchases in this way.

To the question about the value of certain places of purchase, taking into account the “cost of the consumer basket”, the following answers were received:

- 1) In the Polish market, discount stores are of primary importance, whereas retail trade such as a supermarket and a corner store are of greater importance in Ukraine;
- 2) Evaluations of the purchase value in a hypermarket, separated into main, less important and additional, were divided almost equally in the Polish and Ukrainian variants;
- 3) The “store near home” format is the main place to buy for more than a quarter of Polish and more than a third of Ukrainian households. Specialised stores are important for 30% of the respondents in Poland, while in Ukraine, they play a significantly smaller role; and
- 4) Cash & carry, Internet and bazaar trading have a small share in purchases (the last one is only in the Polish version of the questionnaire).

The question about frequency of choice of consumer goods by their origin criterion – abroad, national or regional producer – was asked in the study. It was found that consumers maintain an ethnocentric attitude, choosing the goods of a domestic producer very often or often (67.2% of the responses in Poland and 82.2% of the responses in Ukraine). Regional producers are somewhat less popular – they are chosen very often/often by 46% of Poles and 61.2% of Ukrainians. The choice for goods of foreign origin appears less often – sometimes 42% of Poles and 29.5% of Ukrainians buy them.

An essential value for a customer (the value that affects the cost of the purchase) is the time of the transaction, which includes the time required to reach the sales point and the time spent on the direct purchase. The location of this point and the means of transport affect the time required for a customer to arrive. The most popular means of transport is a personal car – almost 60% of Poles and 41.1% of Ukrainian respondents use this option. In second place is the “on foot” alternative. Cycling is less used in the analysed case. In this situation, we see some differences in the behaviour of Polish and Ukrainian consumers, namely that in Ukraine, they use public transport or go on foot more often to the store.

The diversity of trade in consumer goods provides consumers with the benefits that determine the way to perceive and choose one or another format of trade. The values/benefits to which the respondents assigned significant and very significant importance are: the quantity and freshness of goods (more than 75% of the responses of Polish and Ukrainian buyers), a good location (correspondingly 68% of the Polish and half of the Ukrainian part of the total respondents), a large choice of goods (66.2% of the responses of Polish and 44.2% of Ukrainian consumers), along with convenient working hours, price levels, the availability of promotional offers and a possibility to pay with an electronic card. On the other hand, values that are relatively less important for customers are defined: convenience of the exposition of goods inside a store, store image, quality of service, fullness and atmosphere in a store. Quite

insignificant, from the point of view of the respondents, are market-based solutions in the field of trade such as the possibility of purchasing other goods (not according to the main profile), innovations, "payment" for a cart, loyalty card, promotional activities and other forms of promotion.

Hence, there are no significant differences in the set of questions about criteria for choosing the type of store between Poles and Ukrainians, except one: the possibility of non-cash payments for Ukrainian consumer transactions is a comparatively more important factor of choice. This indicates the complexity in this area, which, along with the desire to have such an opportunity, puts this factor of consumer choice in a higher position.

Some retail formats provide consumers with a wide range of benefits. The positive characteristics that distinguish large-format stores are: a wide range of trade lists, convenient days and hours of work and the availability of parking spots. These characteristics were noted in the Polish market by 71.6% to 75.8% of the respondents (Figure 2). Though in the Ukrainian version of the study, in addition to the above-mentioned figures, a significant amount of time availability for purchase and the neighbourhood with stores of another profile were noted as the important advantages of these types of stores.

The significant strength of influence of large-format stores on visitors both in the Polish and Ukrainian markets is contained in the use of their constant promotional offers and the availability of their own brands (private label). Regarding a supermarket, in another question, the respondents emphasised such advantages as the favourable interior design of a store and its image. In contrast, the characteristic that positively distinguishes discount stores is the relatively low level of prices. In other studies concerning the prioritisation of the consumer choice factors of a particular retail store format, the results were similar; hypermarkets and discount stores are identified as the most popular (Kucharska, 2016, pp. 42–43).

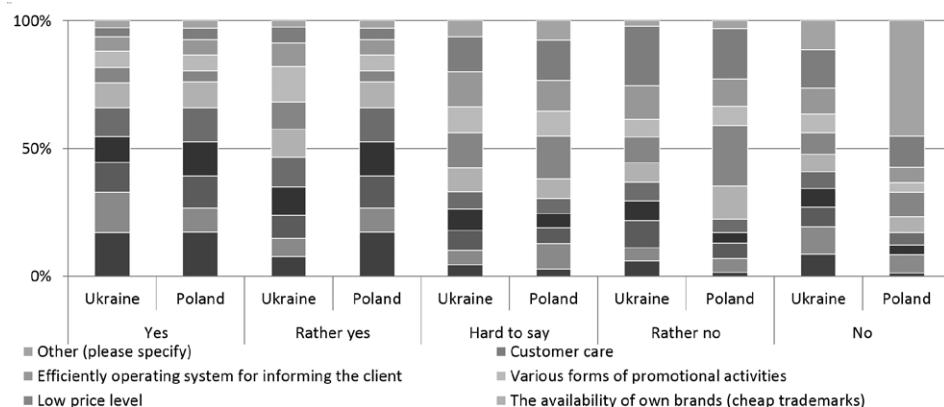


Figure 2. Distinguishing characteristics of large-format stores in Poland and Ukraine

Source: Authors' own study.

The features of large-format stores presented in Figure 2 determine that their share in the purchases of consumer goods by the residents of Poland and Ukraine is dominant. In the Polish market, the share of hypermarkets and discount stores in purchases is approximately the same and equals 27–28%; for supermarkets, this figure is 15%. In Ukraine, the retail sector is also gradually becoming more concentrated: more than 55% of turnover is in the hands of retail networks. Simultaneously, a significant share of the turnover still falls on “small” trade (single stores that are not a part of the sales network). Large-format stores also have their weaknesses, which include: time-consuming purchases (distance to a store and time spent by a buyer in it), low customer information and service level.

The features that characterise smaller stores, including those that operate within franchise systems, are presented in Figure 3. Their most important characteristic is the proximity of location to a client and, therefore, time-saving for purchases. A significant percentage of the respondents (more than half in both of the studied markets) also chose one of the alternative responses “fully agree” or “rather agree” concerning the possibility of these stores to provide fresh and high-quality goods. Moreover, the Polish case has not confirmed the hypothesis that these stores try to sell mainly domestic products (21% of the answers are “no” and 39% are “difficult to answer”).

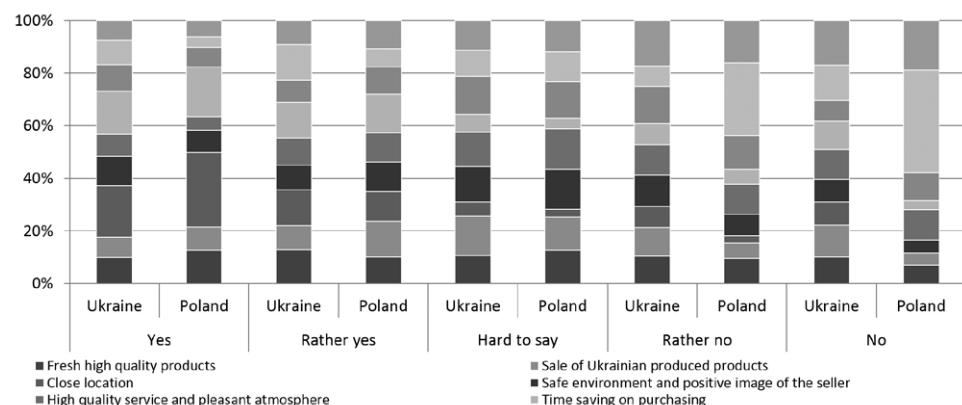


Figure 3. Distinguishing characteristics of small-format stores in Poland and Ukraine

Source: Authors' own study.

The same assessments for small sales points should have been expected for customer service levels and long-term relationship establishment (32% of Polish and 23.8% of Ukrainian respondents indicated that this was not observed, and approximately 30% could not clearly answer this question).

The current share of online purchases of consumer goods in the total turnover is small, but the assessment of the prospects for the development of online stores and electronic access to the supply of permanent stores is optimistic. Approximately two thirds of the respondents both in Poland and Ukraine believe that this sphere

of activity will develop dynamically, and most purchases of these types of goods will be made through the Internet in the future. Most of the younger generation of consumers already take advantage of existing opportunities and some of them do not even consider another alternative.

Since 2016, a discussion regarding the introduction of the Sunday trade ban has been ongoing in Poland. Although this topic does not occupy a significant place in the public discourse in Ukraine, opposing positions of different parties can be found, especially from those who support an option for the Sunday trade ban. In the study of both markets, this problem is posed in view of the importance of the value of time that the trade sector potentially provides for a consumer. The purchases on Sunday were made by the majority of the consumers surveyed in 2016; in Poland – more than 83%; in Ukraine – more than 91%. Only 16.7% of Poles and less than 9% of Ukrainians never bought consumer goods on this day of the week. Among the reasons for making purchases on Sunday, the option “I have an urgent need” and the availability of free time on that day prevails by a significant margin; the respondents’ response in the Ukrainian market was mainly concentrated on the second of these options and this additionally provided the opportunity to spend free time with family members. Other motives were taken into account by the respondents infrequently. Meanwhile, the festive nature of this day, the lack of a need to make a purchase, other forms of leisure time spending, and having rest were indicated as reasons for the refusal to do Sunday shopping.

When asked for an opinion regarding the introduction of an administrative ban on Sunday trade, more than 19% of the respondents in Poland were clearly opposed to this step, and almost 13% did not have a clear answer to this question. Meanwhile, among Ukrainians, there are three times more opponents of the ban (more than 60% with full certainty on this topic; less than 4% did not have a definite point of view). Almost half of Polish (45.4%) and slightly less of Ukrainian (almost 30%) respondents identified themselves as supporters for a partial ban, which would reduce the working hours of stores or only permit Sunday trade for small-format stores.

To identify the point of view of Polish consumers on the topic of Sunday trade after the introduction of a partial ban from March 2018, at the end of that year, a survey was conducted on a quoted sample of 451 people. The following results were obtained:

- during two weeks, free from the trade ban, 25% of the respondents made the purchase of essential goods, 60% made it irregularly and only 15% did not make any purchases on such days;
- 61% of the consumers believed that trading activity should be partly accessible (convenient working hours, no trade ban on Sunday), 30.6% indicated an alternative point of view, and 8.4% did not have a certain point of view on this issue;
- implemented since 2018, the trade ban on Sunday was negatively evaluated by 48.1% of the respondents, positively – by 32.6% and the rest chose a neutral position. The negative assessment is primarily due to the lack of the

possibility of making a purchase for urgent needs, the overcrowding of sales points and parking lots at the end of the week (Friday and Saturday evening).

The respondents who were supporters for a trade ban on Sunday indicated the possibility of using other forms of leisure time activities and rest;

- the respondents pointed to the negative macroeconomic effects caused by the above-mentioned ban. More than half point to the lack of employment opportunities for a certain category of the population (students, temporarily and/or permanently unemployed persons), shifting the power centre to the trade *via* the Internet, including in foreign stores, the decrease of the level of employment and income in trade-related areas (public catering, entertainment). Instead, the benefit is free time for the workers of the trade sector.

The issue of trade on Sunday distinguishes the points of view of Poles and Ukrainians the most on this topic. Rather negative attitudes towards the probable ban among the citizens of Ukraine make the dissonance with the background in Poland obvious, which is caused by various factors, including those related to labour costs and the reluctance of workers to work on Sunday, as along with factors that are much more difficult to change, particularly, e.g. those of a cultural character.

Discussion

The scientific papers that have shown trends in retail sector development and the issues raised have been concentrated on the markets of individual countries. The results they contain largely coincide with the results of the authors' research: this is confirmed by the references to some of the research in this article. The study, the results analysis of which is presented in the article, is devoted to the comparative analysis of the state and factors of the retail market development in Ukraine and Poland. Thus, the article raises the issues that were not previously the subject of a separate study in their content and objectives.

Conclusions

The field studies conducted by the authors among the buyers of consumer goods in the Polish and Ukrainian markets suggest that various retail formats provide the customer with different values that are mutually compensated and meet their needs, expectations and vulnerability level. In certain formats of sales points, the value for the customers is the breadth of choice of goods and their quality, location and speed of purchase, the benefits arising from the level of prices and promotions, the service level and the general climate of the time offered by a store.

The availability and possibility of goods choice have formed certain trends and customer habits among the buyers of consumer goods, who are giving preferences

to large purchases in hypermarkets and discount stores, supplementing purchases in specialised stores and only infrequent (in the Polish version) – in markets/bazaars.

Trade formats that take place in the researched markets of retail trade in consumer goods have the opportunity to increase the subjectively evaluated customer value and, consequently, increase their own competitiveness if their activities are characterised with:

- care of ensuring the proper conditions for the supply and storage of food products, ensuring the availability and completeness of information on the characteristics of the goods for the customer;
- a combination of permanent trade with online trade; and
- other services that facilitate the purchasing process, such as dynamic information on the sales site, the delivery of goods to the customer's order, the possibility of electronic payments and a quick response to notices and complaints.

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