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## КОНКУРЕНТОСПРОМОЖНІСТЬ МАЛИХ ПРОДУКТОВИХ МАГАЗИНІВ У ПОЛЬЩІ ПІД ЧАС ЕКОНОМІЧНОГО СПАДУ

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Уповільнення темпів економічного розвитку впливає на купівельну поведінку клієнтів у продуктових магазинах. Малі продуктові магазини знаходяться під тиском з боку конкурентів, особливо у періоди економічного спаду. Поряд із кризою зростає чутливість споживчих цін. Невеликі продуктові магазини являють собою категорію роздрібною торгівлі, в яких спостерігається найбільше зниження частоти закупівель. Великі магазини покращили свій стан, який традиційно був перевагою невеликих магазинів.

**Ключові слова:** конкурентні переваги, економічний спад, купівельна поведінка, малі продуктові магазини.

## COMPETITIVENESS OF SMALL GROCERY STORES IN POLAND DURING THE ECONOMIC SLOWDOWN

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Economic slowdown influences purchasing behavior of customer in food and grocery stores. Small grocery stores are under pressure from competitors especially in times of economic slowdown. With the crisis, consumer price sensitivity rises. Small grocery shops are a category of retailers in which customers declare the largest decline of purchase frequency. Large stores have improved a number of factors that traditionally were the advantage of small shops.

**Key words:** competitive advantages, economic slowdown, buying behavior, small grocery shops.

**Problem formulation.** In the process of creation and selection of company strategy it is important to identify and evaluate the market environment and their resources in order to identify market opportunities and sources for obtaining strategic advantage [1, p. 63]. Conditions in which each enterprise operates are a function of a number of market trends, which are subject to continuous and dynamic changes. The high dynamics of these changes is largely derived from the complexity of the environment and its interactions between its components. Consequently this results in increasing level of uncertainty measures. A change that occurs in one part of the enterprise environment triggers a chain reaction of other changes in related areas, taking as an entire system. These transformations make it necessary to introduce appropriate adjustments within the company. The financial condition of the entity, its ability to compete, and even its existence on the market depends on the extent to which the entity will adapt to the transformations occurring in the community, and how quickly it will be influenced by implementation of the adjustment process [2, p. 52].

One of the key elements that determine the selection of development directions is the company's position among other participants in the market (its competitors). Evaluation of the possibility of changes of the position and the factors shaping it to a large extent determine the way of formulating and implementing business strategies in the market [2, p.64].

Any company operating in the market wants to be successful. In a market economy this is possible only if a company takes action to achieve a more favorable position in the market in relation to its competitors and if it ultimately gains a competitive advantage over them. [3, p.57]. Favorable location of

the enterprises on the market, as compared to other competitors, and thus gaining a competitive advantage over them requires overcoming the limitations arising from both the demand and competitors. Achieving competitive advantage in challenging, changing conditions of the market environment is becoming a strategic priority for any company. Better positioning of a company against its competitors can be vital for the business's survival and development [4, p. 18-19].

In the literature, a competitive advantage is defined as a set of enterprise assets valued by the market in which it operates, or the unique position of the company on the market (industry), under which the company will maintain a rivalry with competitors. For businesses, this means that it has to behave differently in the market, better, more effectively than competitors. It has to provide more favorable conditions for the production and exchange, and create goods and services to customers that can meet their needs in a better and more advantageous way [5, p.172 ]

**Analysis of current research outputs and publications.** Small and medium-sized enterprises play a special role in any economy, not only because they usually account for more than 90% of all businesses but mainly because they actively influence the development of economic growth. Companies of the SME sector take a significant part in the creation of gross domestic product. They allow to reduce unemployment, supplement market in the production of goods and services, create and develop economic infrastructure, helping to increase the competitiveness of production. They are involved in a formation and development of new areas of production and services, and in creation and implementation of new technologies. And above all SME revitalize the local economy as they more quickly adapt to local conditions and needs [6, p.18-24, 7, p.291].

The great importance of small and medium-sized enterprises is determined by a number of their specific characteristics: efficiency, ease of taking risks, responsiveness to changes in the environment, low capital intensity, high susceptibility to innovation and the immediacy and flexibility in relation with customers. On the one hand, small and medium-sized enterprises have a greater dependence on local environment conditions, on the other hand companies from the SME sector operate closer to its customers, using interpersonal relations. Therefore, they can better understand their preferences and needs and flexibly and quickly respond to their changes [8, p.5].

The experience of developed countries shows that small and medium-sized companies may have an advantage over large companies in terms of such factors as [9, p.24-25, 10, p.16, 25]:

- high flexibility and responsiveness to changes in the environment,
- simple and transparent organizational structures,
- use of economic opportunity by entrepreneurial managers who can gain a competitive advantage in the market and are willing to take risks,
  - rational flow of information within the company, used to solve internal problems and adapt to external changes,
  - better use of specialists with a broad range of knowledge, who know not only new technologies but also market
  - opening to the rapid exploitation of innovation that can be easily verified by the needs of the market,
  - easy entry into cooperative agreements by arranging jobs quickly
  - the use of preferential conditions in obtaining funding from sources specially launched for supporting local economic development.

Many factors influence customer behavior while economic crisis. People are afraid of their economic situation, fear of losing their jobs. Deterioration of the economic situation of the country leads to a change of purchasing behavior. With the crisis, consumer price sensitivity rises [11, p. 178]. In comparison to the stable times, a customer tends to react less positively to price cuts and more negatively to price increases. Price sensitivity reactions differ according to the direction in which a price changes. Another factor is that customers focus their attention on hard value of bought products [11, p. 178]. They are willing to buy the necessary products. A way to improve competitiveness of companies is to offer price benefit to increase value of the product. During the crisis, consumers pay more attention to their own

financial situation. The study of customer behavior also reveals that customer perception of the economic crisis influences customer ethnocentric trends [12, p. 110]. The more negative perception of crisis influence the higher level of customer ethnocentric. The ethnocentric intent of customers results with the tendency to buy domestic products and protect the jobs [12, p. 110]. Other study shows that a crisis reduces the quality and standard of life of the less wealthy customer segments [13, 1121]. People from these segments reduce quantities of purchased products and chose cheaper products of each category. Significant influence on the costumer behavior may have also increases of gas/fuel prices. There was observed influence of increased fuel prices on the decrease of monthly shopping trips, monthly purchase volume and monthly expenditures [14, p. 31]. Due to the increased travel cost people shift to one-stop shopping formats [14, p. 25]. The decrease in sales can be seen particularly in case of impulse products which are shopped less frequency.

**Presentation of main materials.** Small grocery stores are under pressure from competitors especially in times of economic slowdown. They cannot compete with price with hypermarket chains and discount stores. According to the concept of perceived acquisition value consumers are looking for the highest value in comparison to the perceived benefits or quality and perceived sacrifice [15, p. 153]. The perceived value affects not only the price but also the perceived image of the brand shop or attractiveness of the purchased product [15, 154]. The benefits of buying in small shops can therefore compensate for less attractive prices. Some studies emphasize that the value perceived by a customer is influenced not only the real price but also the perceived level of price. In addition, the perceived level of prices affects more the consumer than its actual price [17, p. 17]. In this context the better product benefit and emotional association (both real and perceived) are, the greater value the product has. The value is decreased by higher prices or worse perceived level of prices [17, p. 17]. What dimensions influence the store image customers compare during purchase? Researchers identify eight dimensions – atmosphere, convenience, facilities, institutional, merchandise, promotion, sales personnel and services [16, p. 52]. Characteristics of the dimensions are shown in Table 1.

*Table 1*

**Store image dimensions**

Identified dimensions	Identified subdimensions	Identified subdimension from literature
1	2	3
Atmosphere	Decore Smell Sound Store atmosphere	Colours; Decore; Neatness Smell Sound Size; Store atmosphere
Convenience	Check-out Travel Location  Parking Shopping ease Store hours Transportation	Check-out Duration of travel; Easy of travel Location close to home/work; Location near other stores/facilities; Parking Convenience; Labels/tags; Package carryout; Store accessibility/familiarity; Strong carry bags; Not crowded Store hours Transportation
Facilities	Store layout Store appearance  Facilities convenience Fixtures	Aisle placement; Spaciousness; Store layout Clean store; Entrance/exit; Outside appearance; Store maintenance Family shopping; Rest area; Washrooms Information; Lighting; Physical facilities; Temperature
Institutional	Clientele  Overall impression Store reputation Store association	Clientele; Communication; Discrimination; Friend association; Sales personnel – clientele; Social class Overall impression Store reputation Attractive service materials; Can identify with store; Self-image; Store name

Table 1 (continuation)

1	2	3
Merchandise	Merchandise assortment Merchandise style Merchandise price Merchandise quality	Labels/brands; Merchandise assortment; Merchandise availability; Unique merchandise; Variety within store Appropriate merchandise; Specialised merchandise Merchandise price; Merchandise value Dependable merchandise; Merchandise/Store quality
Promotion	Advertising Promotion; Displays Sales incentives	Advertising; Personal contact; Realistic models Displays Sales; Incentives; Special events
Sales personnel	Sales personnel Interaction  Sales personnel Appearance	Attention from sales personnel; Caring sales personnel; Competent/professional sales personnel; Courteous sales personnel; Friendly/helpful sales personnel; Knowledgeable sales personnel; Social interaction; Trust sales personnel; Appearance of sales personnel; Sales personnel similar to yourself; Sales personnel your gender/age
Services	After-sales service  Payment options In-store service  Delivery options	Alterations; Complaint handling; Post-transaction satisfaction; Return policy Bank card; Credit; Layaway; Payment options; Store card Appro facilities; Number of sales personnel; Packaging; Sales personnel advice/service; Self-service; Trolley/basket Delivery options; Phone orders

Source: [6, p. 54].

The study which examines different dimensions of store attributes reveals, that there are four main factors influencing shopping orientation of customers. The first one is scope orientation which means that people look for a variety of product/services and one stop shopping [8, p. 162]. The second one was a quality orientation connected with quality of assortment, freshness and store atmosphere. Factor no. 3 was price orientation – price promotion and general price value. The last factor was connected with quick shopping so was called time orientation [8, p. 162].

Some of the dimensions presented above are typically advantages of small shops. They often are located close to home, work long hours, offer personnel advice. The main factor influencing on the tendency to do shopping in small grocery stores is the need of quick shopping. How do people perceive this advantages of small shops versus price orientation during economic crises? Are they competitive against new discount stores or hypermarkets? It is worth to be revealed.

The purpose of the paper is to reveal how economic slowdown influences purchasing behavior of customer in food and grocery stores. Authors try to identify people who suffer from economic slowdown and check how the change in the economic situation influences their purchase behavior. It is also interesting if the rest of the population change their behavior due to global crisis despite lack of a noticeable change in the financial position. In this context the most interesting was to investigate how the attitude of customers to different retail stores differs. Authors try to check how small grocery stores attract customers in a situation where prices are the dominant factor by taking purchase decisions. The aim of the study was to answer the following questions:

1. Has the economic slowdown caused changes in the behavior of buyers including the amount of expenses and purchase frequency in different types of stores?
2. What are the general criteria for choosing a retailer and how consumer's financial situation affects the choice?
3. What are the competitive advantages of small grocery stores over other types of retailers?
4. What are the differences in the perception of small retail stores by different customers?

The study was conducted using a standardized questionnaire and quantitative method. The data were collected during February and May 2013 using google drive and. internet questionnaire. The snowball sampling was used to investigate the behavior of households. In fact the answers of individuals concerned the behavior of households as purchased food usually meets the needs of all people in the household. The sample consisted of 203 respondents, 73% of them were women and 27% men. 29% of surveyed were

from a village up to 15 thousand residents, 24% of a city from 16-50 thousand residents and 47% of cities with more than 50 thousand residents.

The questionnaire contained ten research questions mostly based on the construction of a five point Likert scale and the six demographics questions. Respondents were asked to what degree they agreed with the statements describing their buying behavior. The questions allowed to test the importance of 27 specific factors of shopping behavior in small shops, discount stores and hypermarkets. Most of the respondents (over 50%) have not seen any changes in their financial situation over the past year.

The choice of place of purchase of food products by the buyer is a very important decision because food products fall into the category of products of first necessity and usually have a significant share in household budgets. The respondents most frequently purchased food products in discount stores (the most numerous response was once a week – 30% or a few times a week – 32%) and in small shops (a few times a week, 37%). They less often purchase these products in supermarkets (once a week 20%) and in hypermarkets – 2-3 times a month 22%. However, they rarely bought in delicatessen (less than once a month – 35%).

Economic developments in recent years, the crisis in particular, could affect the change in behavior of buyers. The respondents indicated that their expenditure on food during last year did not change (35%) or even increased (41%). As many as 24% of respondents claimed that the expenditure on food decreased. The responses can be explained in part by the "basic" position of food in the structure of purchases as well as by price increases caused by inflation.

Changes affect not only expenditures but also the place of purchases. Most customers reduced visits to shops. The exception was shopping at discount stores, which registered a little more interest (Figure 1).



Figure 1 Change of selection of the type of store (-2 – much less, -1 – less, 0 – no change, 1 – more, 2 – more often)  
Source: own calculation

The answers concerning the current economic situation and developments in recent years show that a significant proportion of respondents did not feel the effects of the economic slowdown. More than half of those surveyed (53%) consider their financial situation as an average, 35% as good and very good and 11% as poor and strongly unfavorable. A similar situation can be observed in the assessment of changes in financial situation over the past year. 53% of respondents did not notice changes in their material situation, for 30% the situation improved and 17% indicated deterioration.

In order to deepen the analysis the data concerning the choice of store and evaluation of material situation are compared. The behavior of buyers is very similar. Disregarding evaluation of their material situation, all of them preferred discount stores as the most common place of purchasing. It can be observed that notwithstanding the changes of material situation most respondents signaled discount stores as a place where they buy food most frequently. Among respondents who indicated a change of material situation for the worse, it appears that delicatessen are a shopping destination that is used more rarely than other places. In the group of buyers who identified their status as better than last year the least popular place is a small local shop.

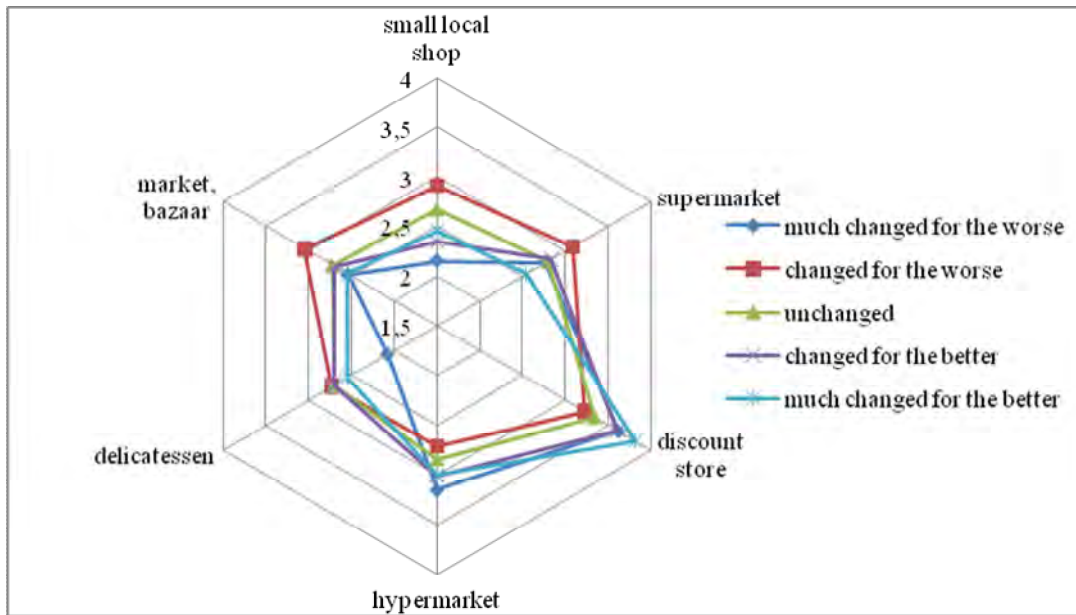


Figure 2 Selection of the type of store by changes in material situation last year.  
 (1 – much less, 2 – less often, 3 – no change 4 – often, 5 – more often)  
 Source: own calculation

By choosing stores the respondents were mainly guided by prices of products, store location and the available range of products, and to a lesser extent they took into account their habits and quality of service. Next it was analyzed what is the relationship of the selection criteria to the present material situation evaluation and how this changed over the last year.

The price as the main selection criteria was chosen by most respondents. In the group of respondents evaluating their material situation as very favorable the main store selection criteria was a range of products and quality of service. The least important factor among respondents declaring very unfavorable material situation was quality of service, and in the remaining groups – purchasing habits (Figure 3).

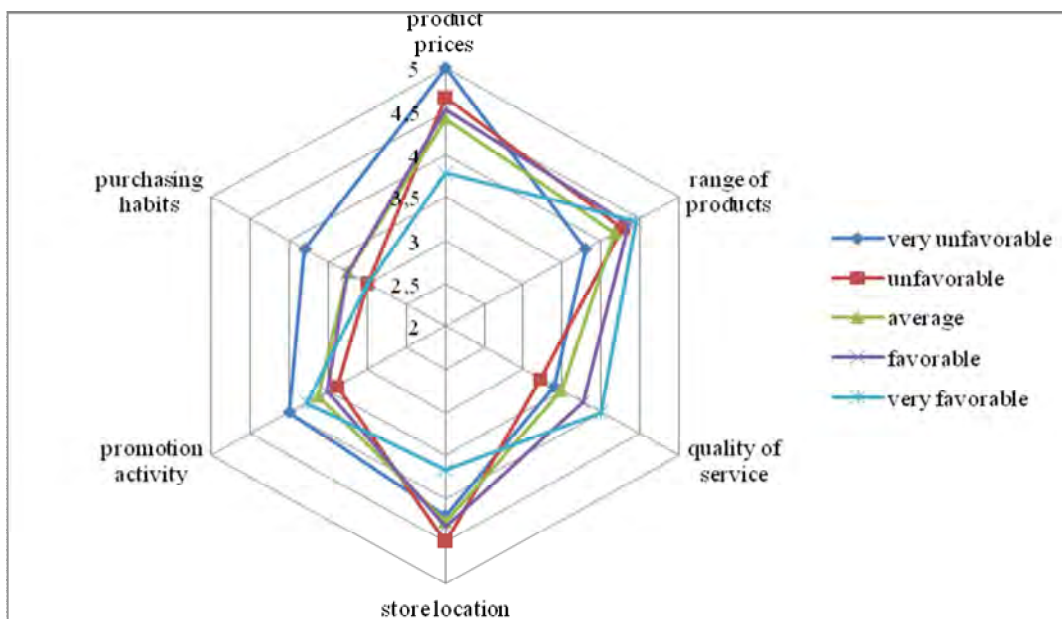


Figure 3 Store selection criteria by material situation evaluation.  
 (1 – strongly disagree, 2 – disagree, 3 – hard to say, 4 – agree, 5 – strongly agree)  
 Source: own calculation

Analyzing the relationship between change of material situation and the importance of criteria for the selection of shops, you can see that the most important factor in each group of respondents was price (Figure 4). Small differences can be noticed in evaluation of the least important factors. Most of the buyers (except the respondents whose situation definitely changed for the worse) declared purchasing habits as the least important criterion by choosing the shop.

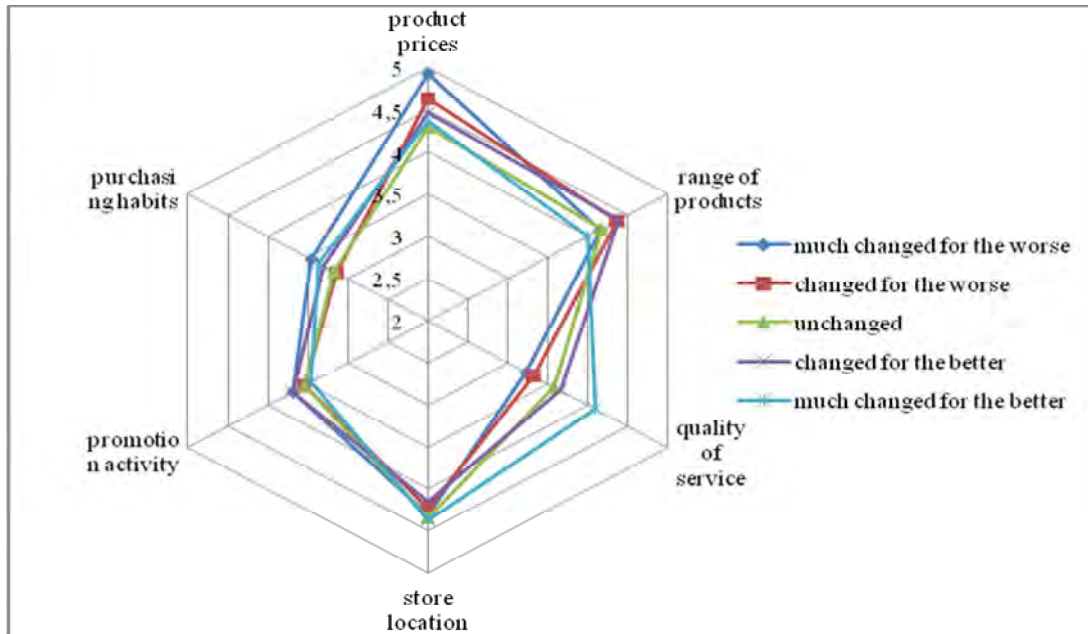


Figure 4 Store selection criteria by change of material situation last year.  
 (1 – strongly disagree, 2 – disagree, 3 – hard to say, 4 – agree, 5 – strongly agree)  
 Source: own calculation

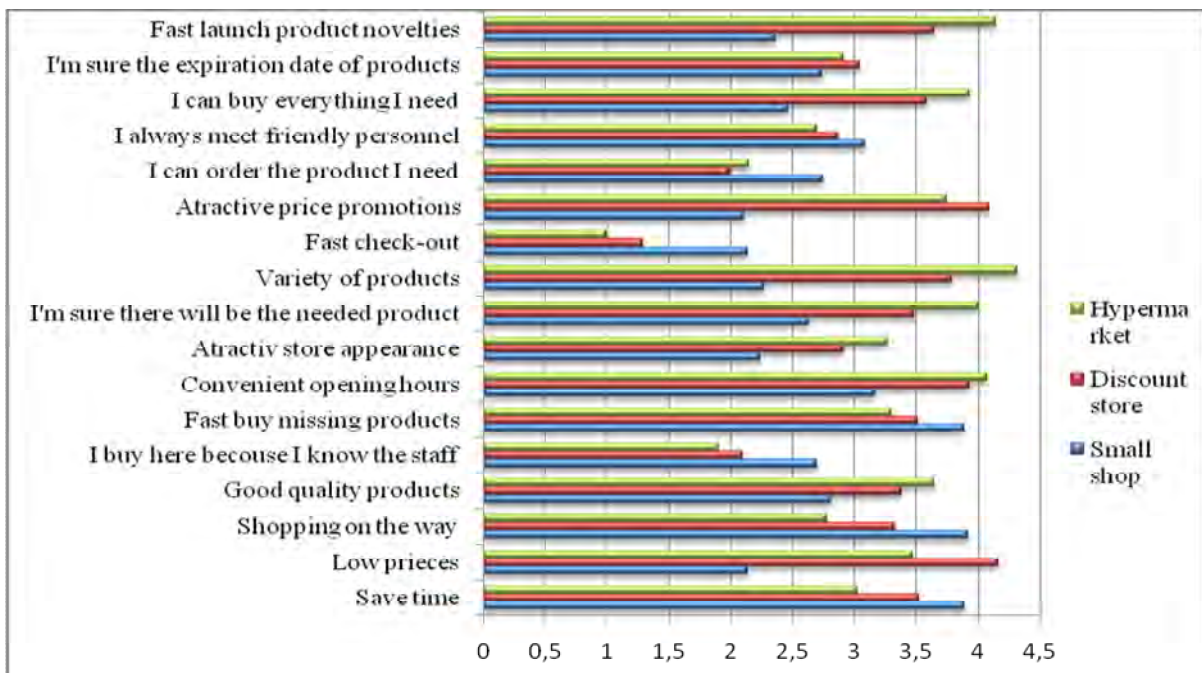


Figure 5. Average rating of significant factors differentiating perception of retailers  
 (1 – strongly disagree, 2 – disagree, 3 – hard to say, 4 – agree, 5 – strongly agree)  
 Source: own calculation



What are the competitive advantages of small grocery stores over other types of retailers?

The study examines influence of 27 different factors on perception of retailers. Questioned people were asked to assess three types of retailers using these factors and Likert scale. Dependent sample t-test showed significant differences in case of 17 factors. The result are presented in Figure 5.

Discount stores are perceived as a type of shops offering the lowest prices and the most attractive price promotions for sold products. Hypermarkets build their advantages on variety of products, possibility to purchase everything in one place, working hours, appearance of shops and quick launching of new products. Small shops help customers save time, offer better cash desk service and more friendly personnel. It is worth to be noticed that in this case the differences are much smaller than in case of in which small grocery shops are perceived in a worse way than competitors. There is no significant difference in the assessment of atmosphere of the shops. It may be surprising because for small shops it should be a source of advantage. What is worse, among other factors freshness of products is perceived better in discount and hypermarket than in small shops. The risk that a customer can purchase products which expiration date has just passed is greater in small shops. Due to this fact there is no doubt, why small shops lose their attractiveness and reduce their market share.

People who increased their frequency of purchases in small shops during last year differ from the rest of the sample in assessment of a few factors. The value of this type of retailers results from saving time, convenient location, opening hours, attractive promotions and possibility to purchase only things which a customer really needs. It may be an important tip for owners of such stores to build competitive advantage by a proper selection of products and increasing the perceived low price attractiveness of the offer by attractive promotions.

The part of the questioned population whose financial status deteriorated assess small grocery shops differently than the rest of sample. The reasons why they buy in such shops are good location and habit. The independent sample t-test indicated greater importance of these factors for such people. This means that it will be difficult to increase attractiveness of shopping in small shops for people affected by financial crisis.

**Conclusions and perspectives for further research.** Economic slowdown influences consumer purchase behavior. The greatest importance is given to product prices as a reason to choose where to do shopping for food. This is the most important factor for people whose financial situation over the last year deteriorated. Only discount shops have got higher frequency of purchases among all categories of shops selling food. Discount stores are perceived as lowest prices shops and offering the most attractive price promotions for sold products. The results are compatible with the theoretical analysis in the article. The frequency of purchase in discount stores is greater for all types of customers. The greatest frequency of shopping at discount stores declared people who felt positive changes in their financial situation, which means that the crisis affects the buying behavior of not only people whose financial situation didn't deteriorate but also those whose situation improved much.

Small grocery shops are a category of retailers in which customers declare the greatest frequency of purchase today, but also the largest decline of purchase frequency. The weaknesses of small shops compared to discount stores or hypermarkets are low attractiveness of prices, prices promotions and small variety of products, together with worse quality of sold products. The advantages of small shops are faster shopping, shorter queues for cash desk, more friendly staff. However, differences in favor of small shops are not as big as you might have expected. Large stores have improved a number of factors that traditionally were the advantage of small shops (eg, opening hours). The key success factors in building a competitive advantage of small grocery shops are to change the perception of price attractiveness and proper selection of good quality products.

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