

Characteristics of retail and business model in retail in context sustainable consumption

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Lecture schedule

1. Characteristics of the development of the Slovak retail in context of business models

- Customer perception of retail activities, store formats and retail network
- The context of business models: the importance of the value proposition

2. Business models in retailing: definition, elements

- Factors influencing changes in business models
- Types of business models
- New challenges for retailers

3. Empirical surveys in the context of sustainable consumption in retail

Introduction

- Since 2012, Slovakia has been becoming a consumer society, the characteristics of which are reflected very strongly in the everyday shopping behaviour of Slovak households.
- Changes in the consumption of Slovak consumers are related to the acceptance of the values of a consumer society and are changing the consumption behaviour of households, which are gradually reaching the maturity stage of the consumption cycle.
- A business model (BM) in retailing is not only a system of components but also a function of relationships between the components to communicate the economic and symbolic values, in order to better satisfy the trend towards individualisation and growing materialism in the behaviour of Slovaks.
- Regular consumption of healthy food is one of the tasks of changing consumer behaviour for Slovaks
- Jakubowska and Radzyńska (2019) and Maciejewski (2020) detailed the complexity of the issues related to sustainable consumption based on the attitudes and behaviours of consumers which affect consumers' health and their natural environment.

Goal

Identify and evaluate the business models in retail that influence the evolution of the customer value proposition and, based on this knowledge, explain how retailers should innovate their business model in the context of sustainable consumption using the example of a selected location.

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Characteristics of the development of the Slovak retail in context of business models

- **1990 – 1993:** the years of transition to a market economy, with the first major transformation process in retail being the process of retail atomisation.
- **1994 – 1999:** a significant change in the Slovak retail sector with the introduction of new large format stores.
- **2000 – 2009:** the entire first decade of the 21st century was characterised by a shift towards e-marketing.
- **2010 – 2018:** retail market is characterised by concentration tendencies and radical changes in distribution channels due to the development of new consumption.
- **2020 – 2024:** retailers exposed to technological change and operating in a highly competitive environment, are forced to react and adapt quickly to a changing physical and virtual environment. The SARS-CoV-2 pandemic has highlighted the fragility of current business models in retail and the need to link environmental health, human health and the value proposition of food.

Customer perception of retail activities, store formats and retail network

- The retail format creates a framework for aligning and organizing retail activities into coherent processes that satisfy customer requirements.
- Elements: assortment, size of sales area, method of service, location, price level, range of services provided, time required to serve the customer, conditions of purchase (atmosphere) forming a package of benefits for the customer, communication with customers, customer relations.
- Store formats, which are constantly evolving, form the structure of the retail network.
- Customers choose the format that best suits their needs with its value proposition.

The context of business models: the importance of the value proposition

- The concept of value proposition defines what a store format is better able to deliver to its customers than its competitors.
- Levels: selection of goods for sale, aggregation of demand, sales advice, physical relocation of goods to points of sale.
- Reinforcing the Unique Selling Proposition (U.S.S.P.) through the value proposition triggers the customer's desire to buy the product.
- The notion of multiple value to the customer, i.e. the value they receive, which does not depend on satisfying the short-term interests of the salesperson and the customer.

Business model in retail: definition, elements

- The concept of business model may apply to the whole business enterprise, but when considering the activities of retail businesses it is important to indicate how the operational activity of providing the sale of goods to final consumers will be carried out.
- The business model in a retail business determines how the activities should be combined in the overall design of the store to achieve a better experience for the customer.



Business model in retail: definition, elements

- Elements of the business model: value proposition, target market and customer relationships, value chain structure and supply distribution, revenue mechanism, cost structure.
- Business model specifics: choice of store format, activities, management actors.



Business model in retail: definition, elements

- The retail business model is an integrated specific system of mobilization of resources and competencies of the organizational unit, the value proposition of products (products and services), the activities of retailers and processes aimed at creating value for the customer, the enterprise and other stakeholders.



Factors influencing changes in business models

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Sustainable development.

Globalisation.

Customer purchasing behaviour.

Social change.

Competition.

Technology.

The expansion of the scope of business enterprises and the erosion of the boundaries of business systems.

Business model types

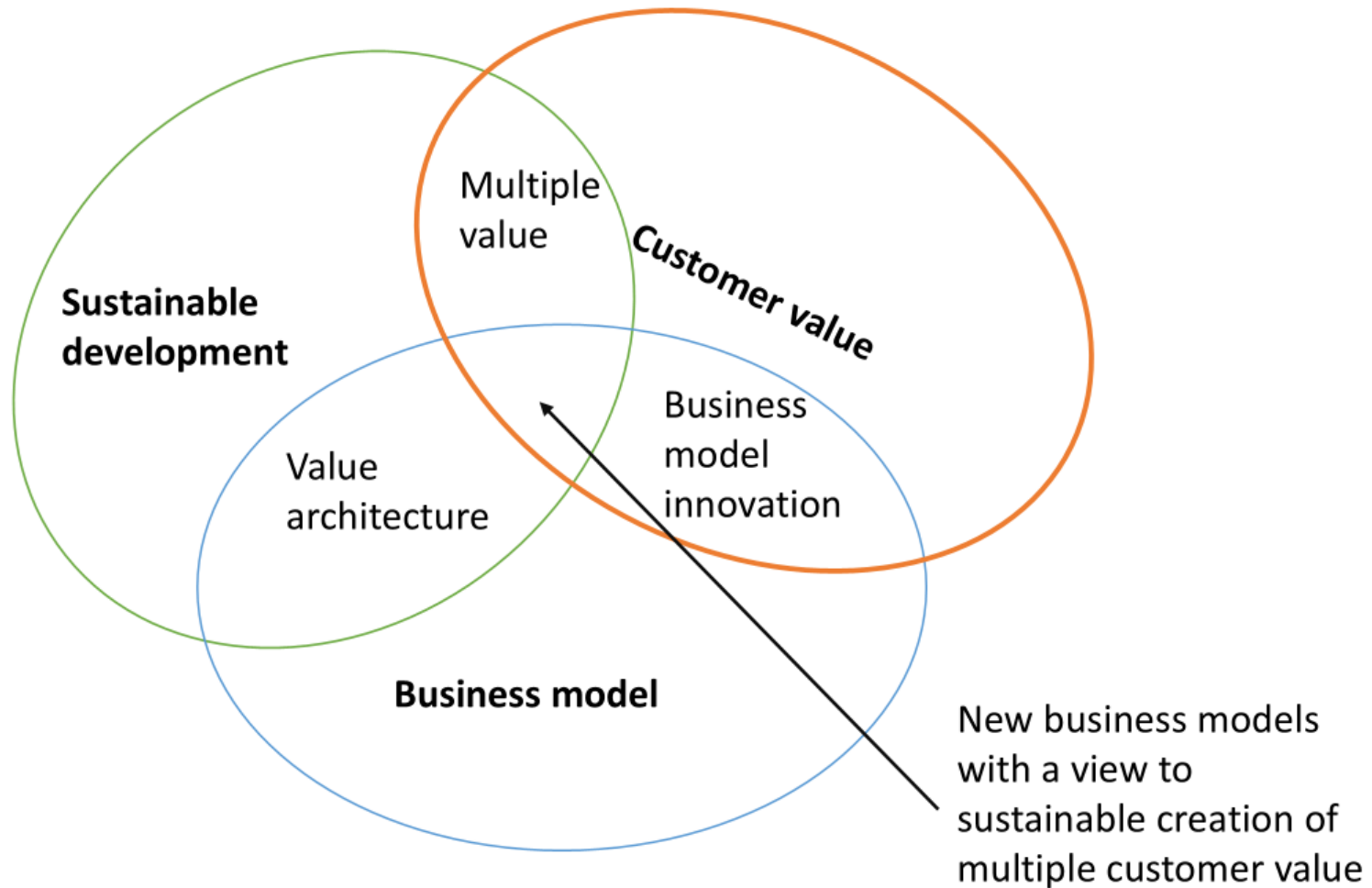
- Existing ones that address the challenge of how to create, produce, sell and make a profit from the creation, production and sale of a product.
- Innovative, which solve the same task but in an innovative way and disrupt seemingly irrefutable business schemes.



A) Existing retail business models

- Obłój (2002, p. 135) according to the configuration of the value chain.
- Horská, Nagyová, Rovný (2010, pp. 141-148), Kita by forms of retailing (2013, p. 40).
- Sławińska, 2010, pp. 75-117) by specialization, forms of cooperation and diversification.
- Perlmutter (1969, pp. 11-14), Rudolph (2000, pp. 7-18), Dawson (2001, p. 254), Zentes, Morschett and Schram-Klein (2011, pp. 156-157) based on internationalization strategy.
- Szromnik (2010, pp. 15-29) by territory. Starzyczna, Sýkorová (2013, p. 71) by level in the retail network hierarchy.

B) Inovatívne obchodné modely v maloobchode



The new business model in the context of sustainability is related to the marketing concept of multiple value, business model innovation and value creation within the value network and supply chain of the store format.

B) Inovatívne obchodné modely v maloobchode

- The globalisation of markets and new societal challenges oriented towards sustainability and strengthening the competitiveness of businesses in the retail sector require finding new ways to create multiple value for the customer. Inovácie vyplývajúce zo zavedenia nových formátov predajní
 1. Innovations resulting from the introduction of new store formats.
 2. Innovations based on new information and communication technologies.

B1) Innovation by deployment new store formats

- By segmentation: place of residence, exclusivity, price sensitivity, lifestyle, traditions, professed values, age, family situation, etc.
- By relatedness of activities to business: related services, manufacturing activities.
- By complementarity of activities. OM is understood as an ecosystem. A key success factor of the model is the ability to manage the ecosystem, to set common business objectives for all members of the supply chain and to share benefits and potential risks with them.

B2) Business models based on new information and communication technologies

The e-business model is a dynamic system that incorporates changing elements and relationships between them to make money online.

Elements of the business model: presentation of the value proposition, identification of market segments, definition of the structure of the value chain, assessment of the cost structure and potential revenues, definition of the position of the business unit in the value network with identification of relationships with suppliers, customers as well as potential competitors, definition of the competitive strategy.

B2) Business models based on new information and communication technologies

- In the field of mobile shopping, which uses communication via a user's mobile phone or tablet, the business model is defined as the way in which the respective application creates and delivers value to users in order to achieve their business goals.



New challenges for retailers

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Changes in retailer mindsets and behaviour.



New business goals.



Adapting the organisation to the store format.



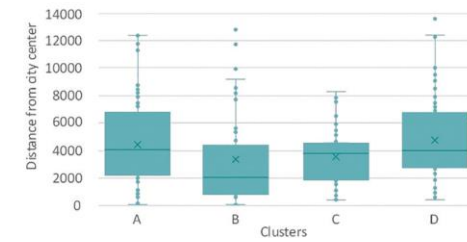
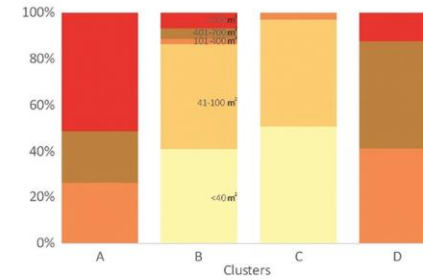
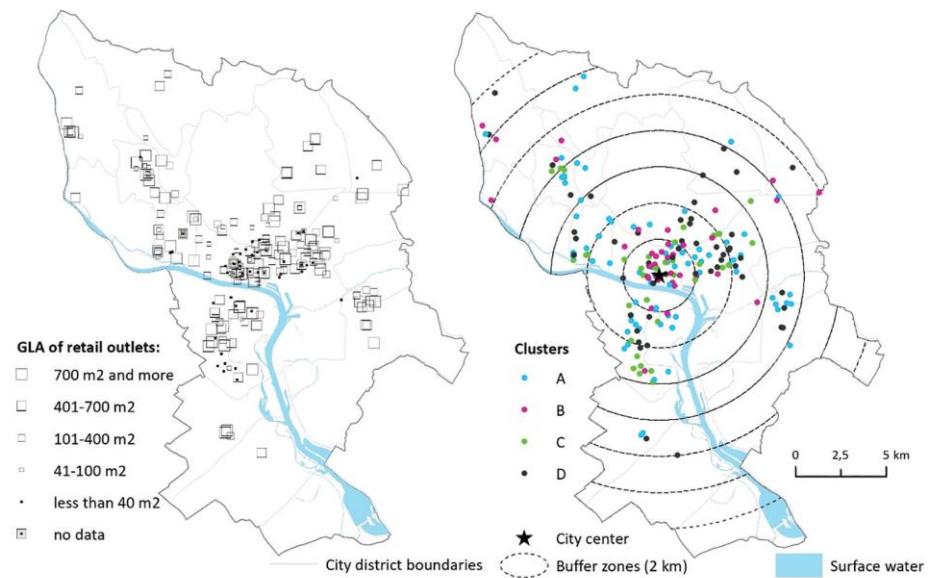
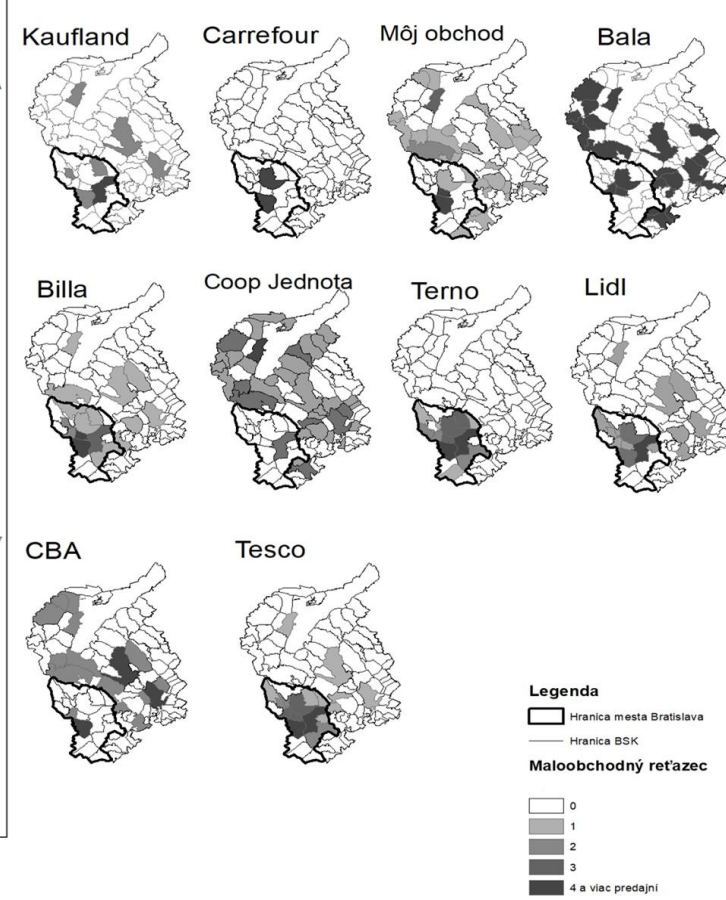
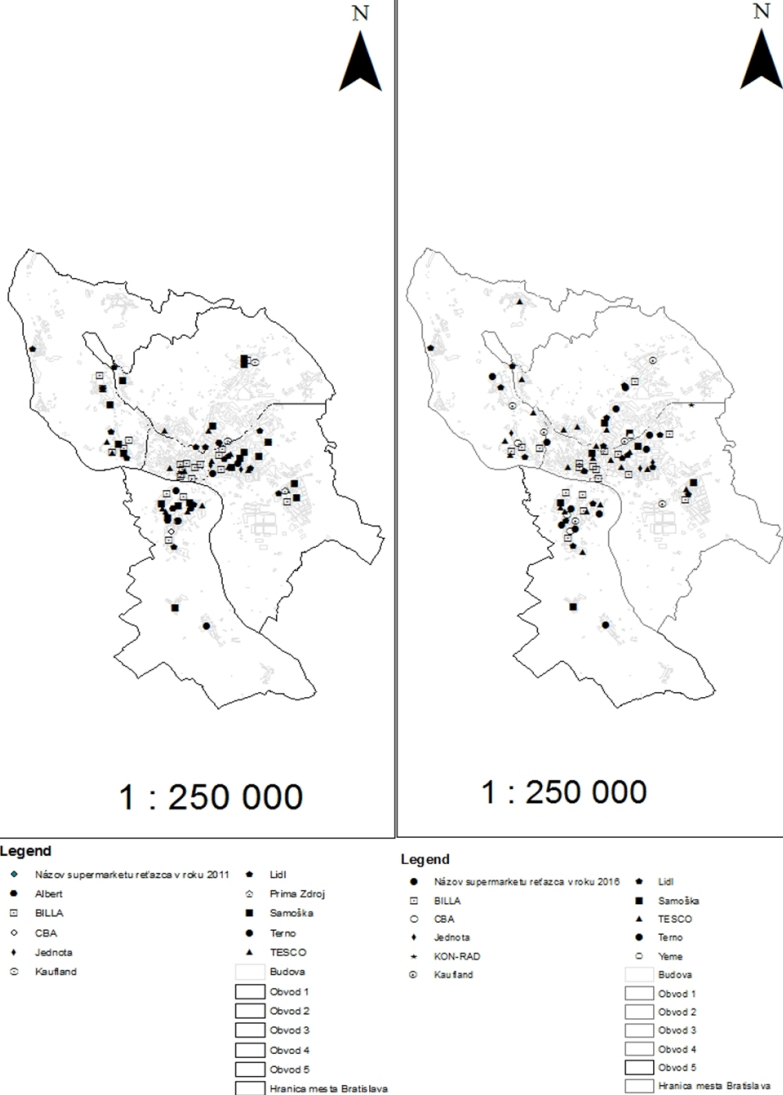
New staff with new skills.

Empirical survey

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- The subject of the retail business model research conducted in 2011, 2016, 2022 were the formats of grocery stores located in the Slovak capital city of Bratislava.
- To map the trends in the development of business models by store formats. To create a baseline for a longitudinal study of changes in the value proposition and retail network.



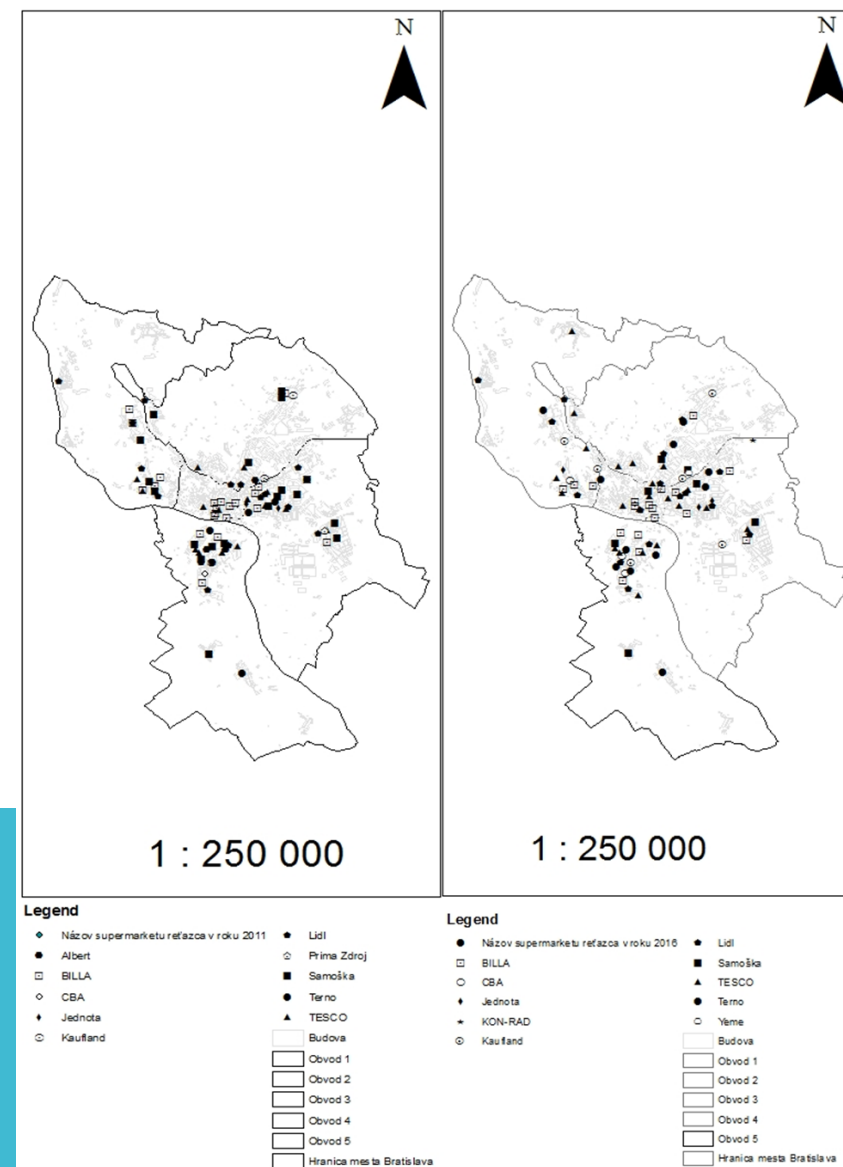


Study area

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Overview of supermarkets in Bratislava

Retail chain	Type of store	Number of stores in 2011	Number of stores in 2016
Albert	Supermarket	4	X
Bala	Small sized store	4	X
Billa	Supermarket	22	20
Carrefour	Hypermarket	2	2
CBA	Supermarket	5	3
DELIA	Small sized store	X	9
Hypernova	Hypermarket	1	X
Jednota	Supermarket	2	4
Kaufland	Supermarket	3	6
KON-RAD	Supermarket	X	1
Lidl	Supermarket	15	16
Malina	Small sized store	X	5
Môj obchod	Small sized store	X	8
Prima Zdroj	Convenience store	1	X
Samoška	Supermarket	18	7
Terno	Supermarket	1	11
Tesco	Hypermarket/supermarket	21	26
Yeme	Supermarket	X	1



Results

Results

New values for food purchases through alternative channels reported by consumers in 2016

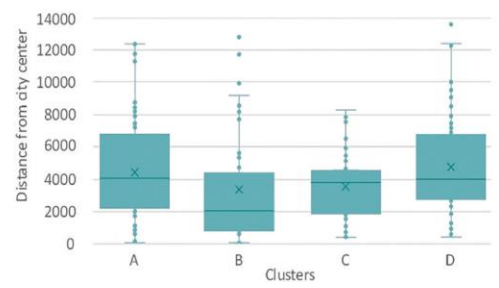
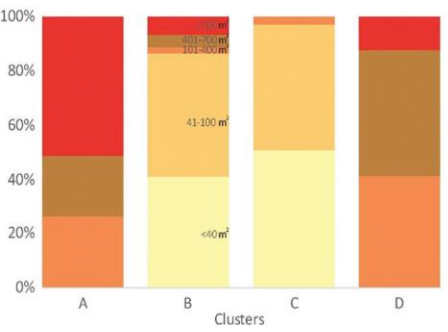
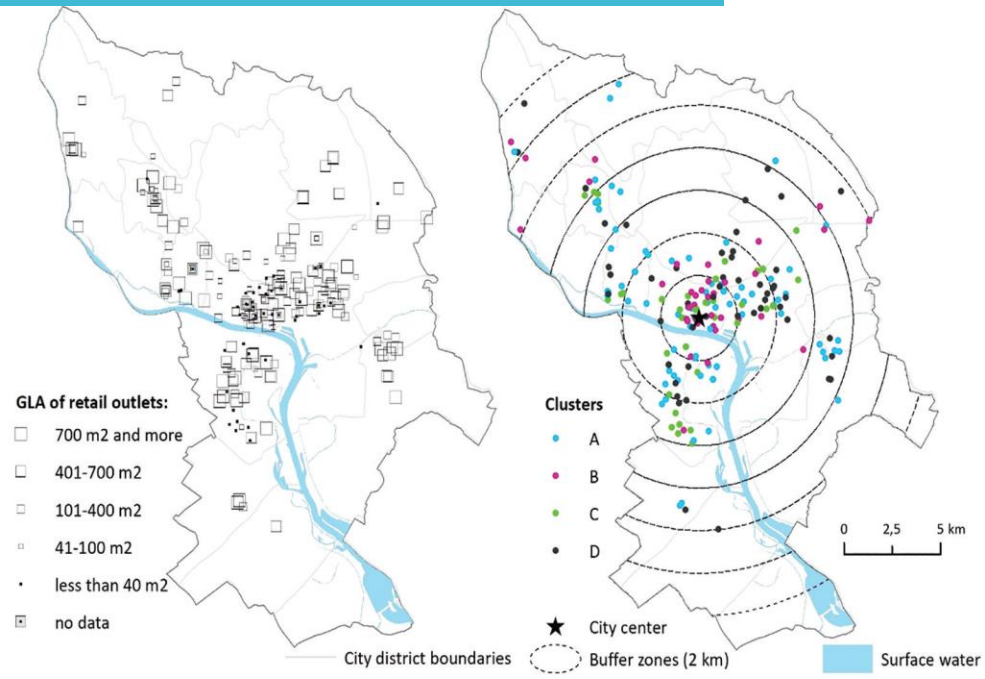
	Reason for shopping	Podiel (v %)
1.	Healthy foods T	26.65
2.	Taste is better than traditional products	21.21
3.	They are original and not sold in conventional chains	13.69
4.	The price is high, but the quality of the food is crucial	13.27
5.	I know the specific producer where the food is produced	12.75
6.	I support local producers	6.69
7.	Other reason	5.75

Alternative community food channels where Bratislava residents shop in

2016	Alternative food channel	Podiel (v %)
1.	Farmers' market (shop)	55.26
2.	Internet	28.53
3.	Yard sale	11.11
4.	Community garden	3.00
5.	Retail in a box	2.10

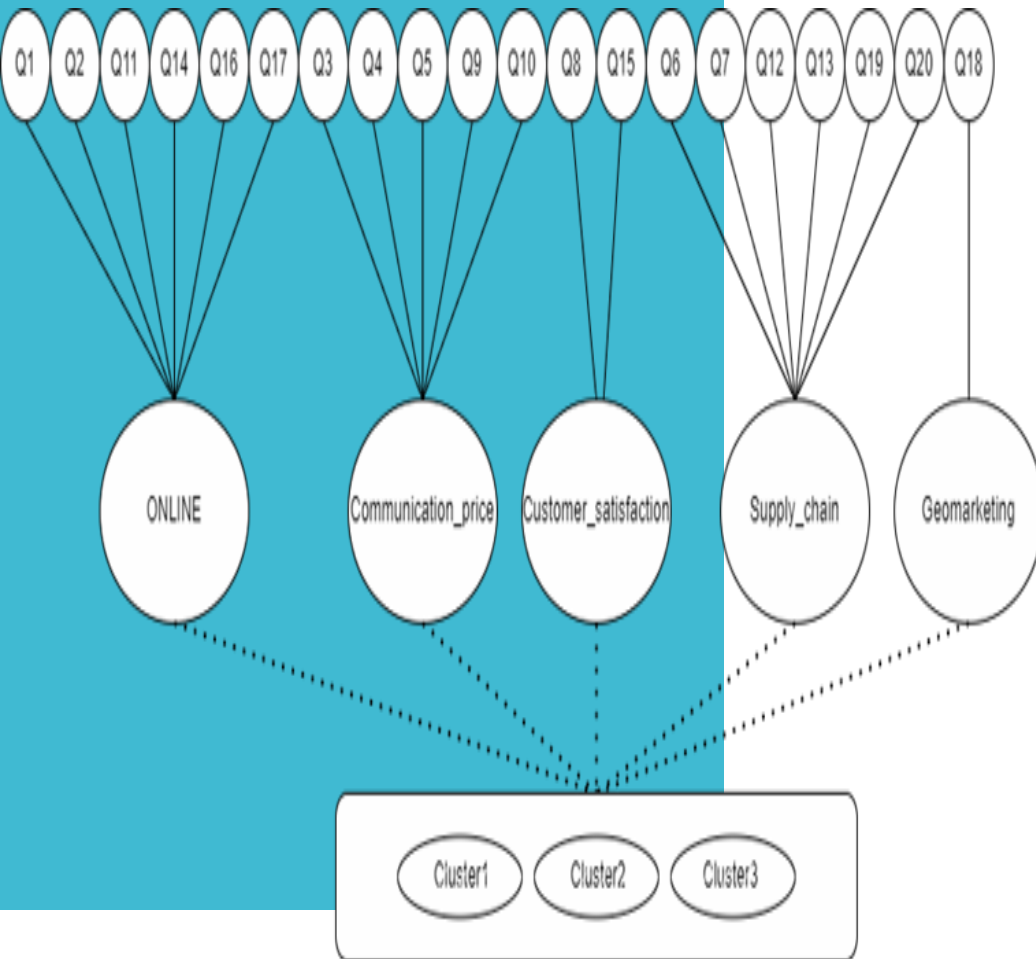


Results



Activity	CODE	The activity is carried out by firm (in %)	The activity is not carried out by firm (in %)
We offer e-delivery of goods to your home	Q1	35.0	65.0
Online ordering and in-store pickup	Q2	11.0	89.0
We carry out promotions (events) for customers	Q3	76.0	24.0
Evaluate consumer purchasing trends for future pricing purposes	Q4	98.8	1.2
We gain customer trust through pricing	Q5	96.3	3.7
Influence the size of the packaging of goods on sales	Q6	78.9	21.1
We use new technologies in logistics and supplier relations	Q7	79.7	20.3
We strive to win the favour of local consumers through our activities	Q8	97.2	2.8
We involve consumers in the creation of the slogan, brand, etc.	Q9	1.6	98.4
We expand purchasing from local suppliers	Q10	89.8	10.2
We share information and customer experiences on the internet	Q11	15.9	84.1
Implement customer loyalty programmes	Q12	69.9	30.1
We pay attention to cybersecurity of processed data	Q13	89.8	10.2
We improve our current online offer	Q14	71.5	28.5
We eliminate sources of customer dissatisfaction	Q15	97.6	2.4
We leverage shopping via mobile apps	Q16	11.0	89.0
We are moving new product sales to social networks and social media	Q17	10.6	89.4
We use a consumer geolocation system	Q18	42.3	57.7
The cost of digital technology is limiting us	Q19	96.7	3.3
We are introducing new technologies to optimize inventory	Q20	80.5	19.5

Results



Cluster 1 represents retail establishments that focus heavily on the online dimension. They score lower than the other clusters in terms of supply chain. They also make less use of the marketing communication and price elements. More than 85 % of the retail outlets in that cluster are customer-oriented to the maximum extent. Geomarketing activities are used at an above average level. In the context of the available identifiers and characteristics, it can be concluded that these are mostly small establishments, mainly with food products (so-called groceries).

Cluster 2 does not use elements of the online dimension. The operations orient their activities as much as possible within the supplier customer chain, price and communication, and also customer satisfaction. A significant element is the complete disregard of geomarketing activities (100 % of the operations do not use geomarketing). In the context of business identifiers, these are medium (400m2) and large food chains (700m2), offering both food and non-food ranges. These are largely multinational retail chains.

Cluster 3 represents the smallest group of retail establishments. In the context of the dimensions examined, it can be noted that it devotes only a small part of its activities to online activities. The key characteristics of this cluster are a high focus on the supply-chain dimension, geomarketing and customer satisfaction, with all operations scoring maximum in these dimensions. Communication and pricing activities are also significant. In the context of the available characteristics of retail outlets, these are medium and large retail outlets that are local/regional in nature.

Conclusion

1. The ever-increasing attention paid to business models in literature and practice shows that it is a useful framework for corporate innovation, and for this reason it can be used to explore the creation of sustainable customer offerings and retail network development.
2. The presented issues show that the development in the current Slovak and European retail market is characterized by extensive changes in the structure of its business environment, which lead to changes in business models.
3. An important capability of the business model is to create a harmony between the innovation of the value proposition and commercialisation approaches that can influence consumer choice and find opportunities for sales growth.

THANK YOU

