

THE TRANSFORMATION OF CZECH RETAIL

Josef Kunc, Markéta Novotná

For many decades before 1990, the shopping habits of the Czech population had been influenced and regulated by the directives of the centrally controlled socialist economy in the field of internal trade, which, among other things, strictly determined the places of consumption, as well as what would be sold there. The location of stores did not respect the distribution of purchasing demand, which resulted in commercial overloading in most city centers, on the one hand, and the lack of appropriate construction of shopping centres in newly built housing estates, on the other hand (Szczyrba 2005a). The location within a city was economically irrelevant; therefore, complex shopping centres were not built in the city centers (Musil 2001). Even the increased construction of department stores during the 1970s and 1980s, which aimed to eliminate the growing dissatisfaction of residents with the range and quality of merchant offering¹, did not make any difference. The construction of retail facilities in rural areas (compared to urban space), with overall below-average investments in retail development compared to countries in Western Europe, frequently contrasted with this generally dismal state. The acceptance of these social principles reached its highest level in former Czechoslovakia within the group of Central European socialist countries (Krásný 1990).

In the first half of the 1990s, when a large wave of privatisation and liberalisation of the economic environment was implemented, the first large-scale stores of foreign retail chains began to appear in the country. A relatively fast penetration of new stores across the Czech Republic's settlement system was mainly caused by the fact that the retail sector had never been as sophisticated as manufacturing or research sectors, both in terms of human resources and infrastructure (Viturka et al. 1998). After an initial atomisation stage, thousands of new units, mostly based on the domestic capital (decentralisation and deconcentration of the original structures), appeared on the Czech market. Since the mid-1990s, supranational food and non-food chains began to enter the Czech market more vigorously, and Czech retail became spatially and organisationally concentrated. Such stage is referred to as a stage of internationalisation (for example, Szczyrba 2006). Due to the lack of regulatory mechanisms in terms of spatial or territorial planning, the possibility of virtually conflict-free expansion into the Czech market opened for multinational retail chains that took great advantage of it (Szczyrba 2005; Koželouh 2010; Spilková and Šefrna 2010).

¹ Even today, these relicts of socialist retail are causing embarrassment in society. Both in terms of the architecture, which is regarded inappropriate and poor quality, and urban solution (such as the department store PRIOR located in the central square in Jihlava). In the recent years, the department stores from the socialist period are reconstructed, and new shopping possibilities are offered. The previous state rather discouraged the customers (mainly due to poor quality).

Since the mid of the past decade, we can speak of a consolidation stage; thus, the largest companies strengthened their positions on the retail market, and the dynamics of their growth was lower, some prominent players left the Czech environment, and the market got gradually stabilised. This stage has not been fully completed yet. It is expected that other major chains will leave the market and the strongest chains will strengthen their positions. However, the Czech retail market is already beginning to diversify (Muliček and Osman 2013; Kunc et al. 2013; Kunc 2020). On the one hand, the diversification means the slowing down of the concentration of retail structures associated with the new localisation strategy of stores with a smaller sales area in city centers, where they are able to compete with large-format stores thanks to a suitable localisation and a well-chosen narrow assortment, and also withdrawal of some groups (furniture, hobby, electronics, manufactured goods, and others) from inner parts of cities to their outskirts to shopping centres and retail parks.

2.1 Retail before 1989

During the so-called “First Czechoslovak Republic” (1920s and 1930s), the economy was based on market powers and competition, where the retail network consisted of several types of stores: unit stores, department stores, chain stores and various forms of off-premises sales. At the beginning of the 1930s, there were more than 170,000 stores in the Czech lands, employing just under 340,000 workers. Small stores with up to five employees were the most typical and accounted for up to 96% of the total number of stores. (Starzyczná and Steiner 2000; Jindra 2009).

The service standard, in other words, the number of inhabitants per one retail worker, reached 32 in the Czech lands in 1930. Although this indicator had a growing tendency (in 1902, it was still 46 inhabitants), it did not reach the level of neighboring economically developed countries, such as Austria (29) or Germany (25). However, compared to Slovakia, the Czech lands were significantly better off, where there were 63 inhabitants per one retail worker (Starzyczná and Steiner 2000).

In the 1920s and 1930s, the production of previously unknown products, such as electronics, furniture, photography, cosmetics, and sports equipment, developed rapidly. It led to the expansion of various goods, such as paints and varnishes, cosmetics, and the subsequent development of specialised retail networks. The consumption of the population increased, which led to the creation of new business companies or expansion of the existing ones, such as consumer cooperatives or large companies – department stores, wholesalers and branch companies which were also often connected with production (such as Baťa, Nehera, Rolný, Meisl, Kulík, Bílá labuť, Perla, Teta).

The low technical level and high costs directed small traders to various forms of cooperation and association, whereas the most frequent form was the formation of consumer and shopping cooperatives. Before 1948, consumer cooperatives occupied an important position on the market. In 1937, there were 151 consumer cooperatives in the

Tab. 2.1: Sectoral structure of retail network of internal trade and public catering centers in the Czech Republic in 1945–1989

Year	Retail network in total	Permanent network in total	Private sector	State sector in total	Of which:			Seasonal network
					State sector under MIT	Cooperatives		
1945	-	82,093	79,189	1,232	-	4,672	-	
1953	63,842	61,876	1,212	40,505	36,146	20,129	1,996	
1960	55,918	55,150	90	34,068	29,290	21,392	368	
1970	50,182	49,539	-	29,872	25,136	19,667	643	
1980	45,934	45,507	-	27,444	22,090	18,063	427	
1989	43,781	43,162	-	26,546	21,214	16,616	619	

Note.: MIT = Ministry of Industry and Trade ; Note: Due to gradual modifications, the data may sometimes slightly differ

Source: Starzyczna and Steiner (2000); Jindra (2009)

Czechoslovak Republic, possessing 2,360 stores. By comparison – at the end of 1989, there were about 300 stores in Czechoslovakia, with a 25% market share (Starzyczna and Steiner 2000).

After World War II, efforts to return to a market economy persisted only for a short time. The number of retail units on the territory of the Czech Republic dropped to about 82,000, and the number of employees fell to 270,000. From 1948 onwards, in line with the planned economy and its principles, retail units with over 50 employees were nationalized and merged into bigger, and later also smaller, units. Entrepreneurship was nearly eliminated by the end of the 1950s, and in 1955, the share of the socialist sector in the total retail turnover of Czechoslovakia was already 99.8% (Starzyczna and Steiner 2000). Tab. 2.1 shows the decline of both state-owned (under the Ministry of Industry and Trade) and cooperative retail units throughout the whole reviewed period, whereas the number of such units reached about a quarter of the level of the early 1930s by the end of the 1980s.

In terms of organisation and space, retail in Czechoslovakia during the socialist period was managed on the basis of the then political directive, which only to a limited extent accepted the real need for the availability of services in the territory. The socialist model of managing the retail sector was characterised by an absolute ban on private entrepreneurship and the determination of the functioning of commercial companies. Typical of this period were large state-owned commercial (Pramen, Prior) and cooperative (Jednota) companies, which were given some space for business by a political directive. Thus, from 1952 onwards, the cooperatives began to concentrate their business in the rural areas, while the state-owned stores were concentrated in the cities (Szczyrba 2005a)². It is the point where the process of spatial levelling of the services provided to population began, the largest among the socialist countries (Drtina and Krásný 1989).

Tab. 2.2 clearly shows the structure of the retail network in the socialist period, with a predominance of grocery stores, which could be understandable, to some extent, in the 1950s (post-war food crisis), but not in the following decades. Compared to the market mechanisms in Europe, there were significantly more groceries, and the non-food segment was extremely undersized. In the second half of the 1950s, a long-term process of reduction in many stores began in the Czech lands, coupled with their concentration and modernisation. Most modernised stores were created by adapting old units and combining neighboring outlets, which led to an expansion of the sales area and often to an increase in the quality of the interior fittings and external appearance (Starzyczna and Steiner 2000). From the 1960s onwards, the number of self-service stores, and later various forms of shopping centres, increased significantly, which partly increased the sales area. In 1989, the share of self-service stores in the total number of permanent outlets was already more than one fifth.

While the retail network in the Czech lands (along with the German Democratic Republic) belonged to the most developed countries, its density was insufficient. A drop in the

² Long before this decision, the Czech and Moravian consumer cooperatives represented a typical urban shopping element.

number of sales units was not accompanied by an operational concentration, as it was in the standard market economies. The share of large-capacity units (department stores, shopping centres) was low, and some sales forms were completely missing. Off-premises retail was slowly growing. A positive aspect might be seen in the development of self-service stores, which contributed to the improvement of shopping conditions of the population; see also Tab. 2. 2 (Starzyczna and Steiner 2000).

Tab. 2.2: Structure of selected permanent stores in the Czech Republic in 1953–1989

Year	Stores in total	Perma- nent stores	Of which:				
			Grocery stores	Convenience stores	Non-food stores	Department stores and shopping centres	Self-service stores
1953	63,842	61,846	25,513	18,675	10,885	71	-
1955	64,059	60,749	24,931	19,505	10,746	101	66
1960	55,150	53,845	22,688	20,024	9,374	77	3,720
1970	50,182	49,375	18,844	15,694	8,987	273	7,250
1980	45,934	45,507	16,177	15,349	8,522	609	8,571
1989	43,781	43,382	14,870	14,745	8,429	815	9,228

Note: Due to gradual modifications of methodologies, the data sometimes slightly differ. The partial structure does not contain “other” stores.

Source: Starzyczna and Steiner (2000); Jindra (2009)

By the end of the 1980s, the number of inner retail workers had grown to almost half a million; yet the area standard (the total sales area in m² per 1,000 inhabitants) in the Czech Republic was very low (331 m²), compared to, for example, Germany (773 m²) or France (644 m²) (Starzyczna and Steiner 2000). Compared to 1953 (32 inhabitants), the service standard increased to 62 inhabitants per retail worker by 1989, confirming the unfavorable development of the retail sector during the planned economy. Compared to other countries, the value was very high—in Austria, Germany or France, the service standard was roughly half in the mid of 1980s. Krásný (1990) considers former Czechoslovakia to be the only country in the former Eastern Bloc where the number of retail units steadily declined, moving away from the hypothetical optimum of retail network density. However, Szczyrba (2005a) adds that although the service standards and other indicators were much lower than in Western European countries, former Czechoslovakia was one of the more developed countries in this respect within the Eastern Bloc.

The spatial organisation of the retail network in Czechoslovakia was also developing differently. While in the countries of Western Europe, after a short post-war period, characterised by the construction of retail networks in traditional central areas, expansion to new locations (construction of suburban large-scale shopping centres) was recorded, the retail in the Czech lands showed less spatial variability. The location of stores did not respect the distribution of purchasing demand, which led to the retail networks’ overloading in the most cities’ centers. In contrast, in the peripheral housing estates of

many cities, the retail capacity was insufficient. Frequently, this generally bleak situation contrasted with illogical construction of sales capacities in smaller towns and rural settlements (Krásný 1990).

The number of professional papers and studies continuously pointed to the insufficient and inappropriate state of the local retail network, in particular, the below-average sales capacities and related overloaded retail areas. Both investments in the development of the retail network and the area or service standard indicators were at half the level in Czechoslovakia compared to Western countries (Drtina and Krásný 1989). Thus, the retail network before 1989 was in many aspects insufficient in the context of real needs and incompatible compared to Western European countries, for example, also in terms of the assortment structure. As already indicated, the shortcomings in retail facilities were, with respect to real demand, more noticeable in urban than in rural areas (Kunc et al. 2013).

If we turn our attention to the retail offer of the late 1980s as a landmark and comparative threshold for the fundamental changes in the transformation period, it was completely different in terms of structure and region. The last retail census (as part of the Census of Residential Amenities conducted in 1987) showed, among other things, an entirely inadequate retail product structure. At that time, most of the retail network was made up of groceries, while another assortment was heavily suppressed (see Tab. 2.3). The retail turnover generated by the network of four selected primary assortment groups of stores amounted to almost four-fifths of the country's retail turnover. These stores represented more than 86% of the stationary retail network and accounted for roughly 90% of its total sales area (Kunc et al. 2013).

Tab. 2.3: Representation of selected assortment operational units in the retail network in 1987

<i>Type of store</i>	<i>Share within the network in %</i>	<i>Sales area in %</i>	<i>Workers in %</i>	<i>Retail turnover in %</i>
<i>DS and SC*</i>	1.8	12.7	12.6	11.4
<i>Grocery stores*</i>	57.8	47.8	48.4	41.2
<i>Apparel and footwear stores</i>	12.1	14.3	12.7	12.1
<i>Manufactured goods</i>	14.4	14.6	12.8	15.0
<i>Selected types in total</i>	86.1	89.4	86.5	79.7
<i>Retail network in total</i>	100.0	100.0	100.0	100.0

Source: Szczyrba (2005a)

Explanation: * Groceries – including convenience stores and tobacconist's DS – department stores, SC – shopping cooperatives

It was not only the results of complex passportization “Census of Residential Amenities” from 1987 (Fig. 2.1) that pointed to a generally bleak situation but also the findings of

the optimisation study conducted in 1988, the model of which was based on the set of 191 cities with over 10,000 inhabitants (Šimůnek et al. 1988). Analytical and optimisation calculations have clearly demonstrated the overriding need for capacity and quality development of the retail network in the capital city of Prague in all assortments. A similar situation proved to be in both Moravian regions, the Brno agglomeration core, and the most significant population centers of the Ostrava agglomeration.

Similar conclusions about the level of amenities in Czech cities were also reached by Maryáš (1990), who documented deficiencies in capacity indicators for non-food goods when evaluated at the level of basic regions served and their centers. The service centers in the North Bohemian regional agglomeration, the North-West Bohemian agglomeration, and the core centers of the East Bohemian regional agglomeration (Hradec Králové and Pardubice) were relatively well evaluated in Bohemia. On the other hand, the basic service regions covering the vast area of Plzeň and practically the whole of Central Bohemia with spurs to Liberec and Děčín and to the southern part of East Bohemia were found to be underequipped. In Moravia, it was Brno, the second-largest city in the Czech Republic, that had a significant deficit in non-food goods sales areas (the largest in former Czechoslovakia), followed by South Moravian cities and service regions in the broad background of the Ostrava agglomeration (Kunc et al. 2013).

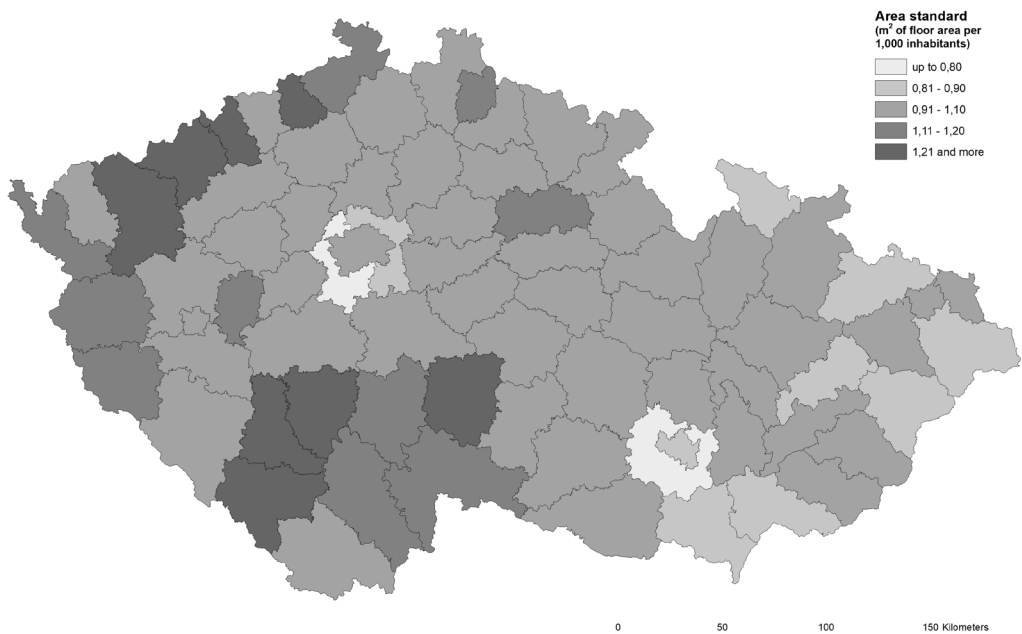


Fig. 2.1: Regional structure of the area standard in 1987
 Source: *Census of Residential Amenities (1987); own processing*

2.2 Transformation of the Czech retail after 1989: Main development stages

Fundamental political, social, and economic changes made after 1989 were also reflected in retail. The changes were so fundamental and dynamic that we may regard them as a specific “flagship” of the economic transformation. Reforms that were to facilitate the economy’s transition to the market system were formed as early as at the beginning of the 1990s, in 1990 and 1991. The fundamental step was the change of ownership relations, whereas the private sector was to develop in two directions (Pražská and Jindra 2002; Szczyrba 2006):

- The entry of new private businesses into the economy;
- Privatisation of assets that were in the hands of state-owned companies to private entities, mainly through sales, in other words, “small” and “large” privatisation.

Another process was the property restitution to private individuals and private companies under the so-called “restitution” law. During 1991, most of the property was returned. Citizenship and permanent place of residence in the then Federation were the conditions, but later (from 1994), citizens living abroad could also apply for restitution. In 1991–1992, more than 11,000 stores and 20,000 restaurants were returned to the original owners (Pražská and Jindra 2002).

The principle of small-scale privatisation was to offer state-owned business establishments to interested parties through auctions. The auctions included the premises’ equipment and the acquisition of stock of goods, with the right to operate the privatised premises being granted for two, and later five, years. The obligation was to maintain the sale of basic foodstuffs for two years, if established. Small-scale privatisation took place in 1991–1993, when 24,000 establishments worth almost CZK 31 billion were sold, while half of the establishments (in particular, the former state “chain” Pramen) were retails (Szczyrba 2006).

Large-scale privatisation was focused on companies operating in construction, energetics, industry, agriculture, and a part of the non-production sector – large trading companies and hotels (Pražská and Jindra 2002). The large-scale privatisation was realised through auctions, public tenders, direct sales, and free-of-charge transfers (primarily to municipalities). A specific method was coupon privatisation, which was open to all citizens over the age of 18. At the end of 1992, the Ministry of Trade and Tourism of the Czechoslovak Federative Republic included 199 companies (such as Prior), for which 1,500 privatisation projects were submitted (Szczyrba 2006).

The transformation of the cooperative sector, completed in 1993, was also necessary. The membership base was renewed, members (cooperative members) received a corresponding share of assets based on membership fees and the hierarchy of political functions was reintroduced (Pražská and Jindra 2002). The privatisation process brought many positive changes in the retail sector (Jindra 2009):

- Arrival of new entrepreneurs;
- Expansion and enlargement of the offered assortment;
- Emergence of new assortment profiles;
- Increase in work performance.

As mentioned above, development in the retail sector after 1989 was very dynamic in new socio-economic conditions, and it went through several stages during more than twenty years. According to Szczyrba (2005a), in terms of changes in basic features and functional structure of the Czech retail, the transformation can be categorized in three elementary stages, and Mulíček and Osman (2013) predict emerging stage four:

- The stage of Atomisation: (1990–1995);
- The stage of Internationalisation: (1996–2004);
- The stage of Consolidation (2005 – the present);
- The stage of Diversification (2013/2014 – until now).

2.2.1 The stage of atomisation (1990–1995)

As a result of the privatisation and liberalisation activities, the Czech retail sector was extensively atomised, and a wide range of entrepreneurial structures emerged in the sector, which very actively began to fill up the deficits of the retail network. The atomisation of the retail sector bore the signs of decentralisation and deconcentration of the original structures (Szczyrba 2006). Thousands of new units appeared, mostly based on domestic capital and in the form of family businesses, which began to fill up the gaps in the amenities of the settlements. Small forms of sale offering daily necessities were established in rural areas, while cooperative units were closed, or their sales area reduced, and the range of goods narrowed. In cities, the number of units and their sales area increased, as did the number of workers and the quality of goods offered. At the same time, new sales units expanded from the centers, which had been neglected in the previous period (Kunc et al. 2013).

The results of the Retail Census 99, which was provided by a consortium of GfK, INCOMA and MAG Consulting, illustrate the initial stage of the Czech retail transformation very clearly. This census showed that the number of retail outlets operating in the Czech Republic more than doubled in 1998 compared to 1989, from 41,000 to almost 96,000 (see Tab. 2.4). The most significant quantitative change during the transformation period under review was in the non-food stores (more than fourfold growth). Small stores up to 40 m² (60%) occupied the largest share in the retail network. Furthermore, according to the data obtained from the retail census, the efficiency of stores in the rural areas dropped; however, on the contrary, the efficiency of stores in cities started to strengthen in the retail system (Majerová et al. 2003; Kunc et al. 2013).

While the sales area in 1989 was over 3.5 million m², in 1998, it was already almost 7.2 million m², which meant that the area standard also more than doubled to almost 700 m². However, this increase did not help the Czech Republic to catch up with the developed countries of Western Europe, where the area standard at that time was above 1,000 m² (Szczyrba 2005). After less than ten years of retail transformation, the service standard approached the values of the 1930s or the first post-war years, and even here, it did not come close to the figures of Western Europe (see Tab. 2.4).

Tab. 2.4: Changes in the Czech retail in 1989–1998

Indicator	1989	1998	Changed completely	Index 1998/1989
Number of stores	41,188	95,852	54,664	2.3
Sales space in m ²	3,509,904	7,165,946	3,656,042	2.0
Number of employees	167,330	278,396	111,066	1.7
Area standard in m ²	331	697	366	2.1
Customer service standard	62	37	-25	0.6

Note: In some cases, the data slightly differ due to gradual modifications of methodology.

Source: The analysis of the retail network situation in the Czech Republic, the Czech Statistical Office (2000); Starzyczná and Steiner (2000); Jindra (2009); own processing

The regional overview (see Fig. 2.2) revealed relatively high variability of the area standard level, which oscillated between 519–828 m² of sales area per 1,000 inhabitants of the region in 1998. In the given year, most Czech Republic regions showed just an average level of community facilities ($\pm 10\%$ on average); three regions were above the average (Central Bohemia, South Bohemia, Plzeň regions), two regions showed significant below-average level of area standard (Zlín and Moravia-Silesian regions). Such differences were mainly determined by the starting development of a large-scale retail network which was just in its initial stage in 1998 (Szczyrba 2005a).

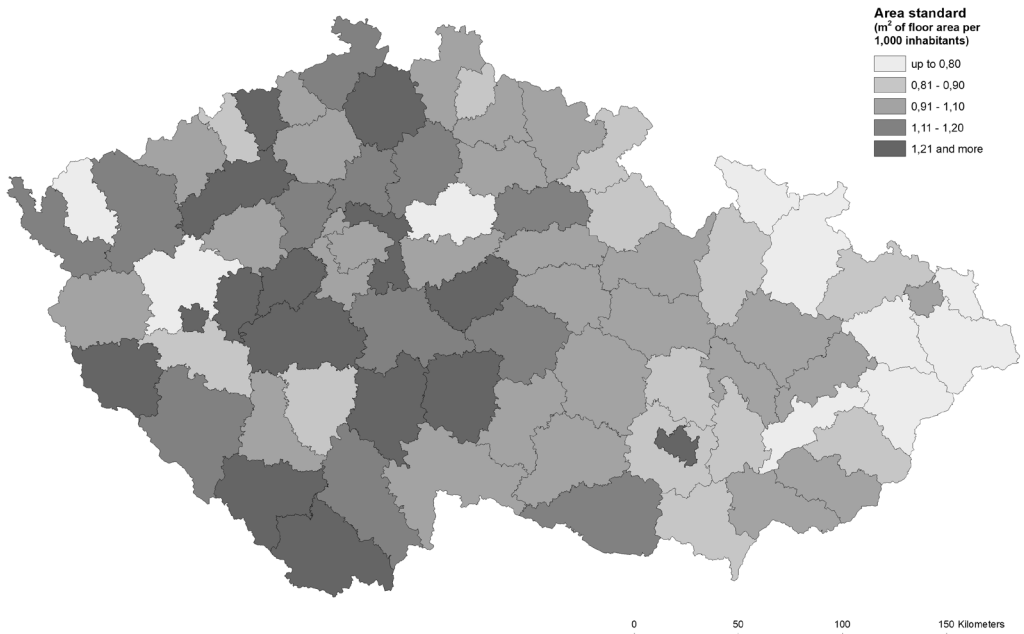


Fig. 2.2: Regional structure of area standard in 1998

Source: Retail Census 99, Czech Statistical Office (1999); own processing

Other interesting findings brought by Retail Census 99 could be summarized as follows (Pražská and Jindra 2002):

- 14% of municipalities did not have any retail unit in their territory;
- In 1998, the retail network was still atomised, even though in the second half of the 1990s the retail was undergoing the process of concentration – stores with the sales area up to 40 m², which represented 60% of the total number, had a decisive share;
- The walking distance of the population to do their shopping was decreasing;
- The average size of a store dropped from 85.2 m² to 74.8 m².

The stage of atomisation was accompanied by the deconcentration of retail structures at both quantitative and qualitative levels. New stores emerged, and the existing stores were changed. As early as in the first half of the 1990s, the Czech market witnessed the first wave of internationalisation in the form of the entry of the first foreign chains, which first took over the existing stores and later began to build their own stores on “greenfield sites” (Starzyczná 2010).

2.2.2 The stage of internationalisation (1996–2004)

In this stage, which started in the second half of the 1990s, multinational retail companies initiated spatial and organisational concentration in the Czech market (Szczyrba 2005a). The Czech market was hit by a second wave of internationalisation in the form of the entry of food and non-food foreign retail chains. Until then, only a few foreign companies (such as Belgian Delhaize, Dutch Ahold or German Billa) were established in the Czech market. The American chain K-mart, created via the privatisation of six Prior department stores (in Prague, Brno, Liberec, Plzeň, Pardubice and Hradec Králové), was also operating on the Czech market. This chain ceased on the Czech market in 1996 when it sold its department stores to the British chain Tesco. This acquisition was part of the company’s broader strategy of international operations not only in Central Europe (Wrigley 2003).

Thus, more intensive internationalisation of Czech retail began in the second half of the 1990s. Before this period, the companies that operated in the Czech Republic had built up a particular position; however, a significant gap was still existing in the market, which represented an attractive opportunity for other companies. The established food chains included Tesco, Carrefour, Globus, Lidl, Kaufland and Penny Market, while non-food companies included IKEA and another chain of DIY³ Hornbach. Foreign companies included food chains, furniture stores or DIY, and companies offering drugstores and electronics. Makro Cash&Carry gained a vital position on the Czech market, although it cannot be considered a typical retail company.

Czech companies also tried to get involved in the competition; however, they were not much successful. The stores of Pronto Plus or Vít Grocery Stores got bankrupt or were

³ DIY = “do it yourself”, hobby markets.

sold. On the other hand, M-holding (later included in the Interkontakt Group) resisted market pressures and foreign competition for the longest time. In 1999, it could not withstand the strain and sold its stores to its competitors (Delvita, Ahold). Pronto Plus and Interkontakt were the only Czech companies that managed to launch hypermarkets in the Czech Republic (3 units) (Szczyrba 2005a).

Since the end of the 1990s, the Czech market was dominated by the German chains Metro, REWE, Schwarz, Tengelmann and Globus, which Dutch Ahold, Belgian Helvita, British Tesco, French Carrefour and Austrian Julius Meinl and Spar joined. In this stage, the mentioned companies were creating their own networks of stores, and the process of such creation is called by Szczyrba (2006) as settlement hierarchic and spatial diffusion with an effect of area expansion. The hierarchical settlement diffusion is primarily related to the size of the service territory, while the size of a store significantly correlates with the importance of the settlement. The following Tab. 2.5 presents the overview. It may be noted here that the retail market has become considerably saturated in recent years, and discount or small supermarket type units are now also found in the catchment area that does not reach the limit of 8,000 inhabitants.

Tab. 2.5: Typology of sales concepts depending on the population size of the territory served

<i>territory + background</i>	<i>Retail unit type</i>
<i>8,000–10,000 inhabitants</i>	<i>DIS, SSM</i>
<i>10,000–30,000 inhabitants</i>	<i>DIS, SSM, LSM, SHP</i>
<i>30,000–50,000 inhabitants</i>	<i>DIS, SSM, LSM, SHP, HBM</i>
<i>50,000–100,000 inhabitants</i>	<i>DIS, SSM, LSM, SHP, HBM, LHP</i>
<i>More than 100,000 inhabitants</i>	<i>DIS, SSM, LSM, SHP, HBM, LHP, RSC</i>

Explanation: DIS = discount; SSM = small supermarket; LSM = large supermarket; SHP = small hypermarket; LHP = large hypermarket; HBM = hobby market; RSC = regional shopping centre

Source: Szczyrba (2006); own processing

The arrival of foreign chains changed the so far development in retail. The number of stores grew, plants were modernised, new sales forms and various types of retail units and wholesale warehouses emerged. The Czech market was attractive for foreign companies in particular as a new outlet with the possibility of further expanding their activities outside the domestic market. The position of foreign companies on the market was dominant from the beginning, without much competition from domestic companies. Starzyczna (2010) stated that Czech companies suffered from a number of financial capital and professional deficiencies (low financial capital, lower management professionalism or lack of experience) that prevented them from developing their business in the large-scale retail segment. Domestic companies found it challenging to resist foreign competition and were forced to withdraw from the market.

Tab. 2.6: Selected foreign companies operating on the Czech market

<i>Name of the company (European group)</i>	<i>Country of origin</i>	<i>Year of entry</i>	<i>Year of exit</i>
<i>Ahold Czech Republic, a.s. (Royal Ahold, originally Euronova)</i>	<i>the Netherlands</i>	<i>1991</i>	<i>-</i>
<i>Discount, a.s. (Delhaize Le Lion) Delvita</i>	<i>Belgium</i>	<i>1991</i>	<i>2007 (sold to Billa)</i>
<i>Billa (Rewe)</i>	<i>Germany</i>	<i>1991</i>	<i>-</i>
<i>Asko Nábytek, furniture</i>	<i>Germany</i>	<i>1991</i>	<i>-</i>
<i>bauMax, s.r.o. (bauMax)</i>	<i>Austria</i>	<i>1992</i>	<i>-</i>
<i>Spar ČR (ASPIAG, SPAR Ostbayern)</i>	<i>Austria</i>	<i>1992</i>	<i>2014 (sold to Ahold)</i>
<i>Plus Discount (Tengelmann)</i>	<i>Germany</i>	<i>1992</i>	<i>2008 (sold to Penny M.)</i>
<i>Bauhaus</i>	<i>Germany</i>	<i>1993</i>	<i>-</i>
<i>Julius Meinl</i>	<i>Austria</i>	<i>1994</i>	<i>2005 (sold to Ahold)</i>
<i>OBI</i>	<i>Germany</i>	<i>1995</i>	<i>-</i>
<i>Sconto Nábytek (Höffner), furniture</i>	<i>Germany</i>	<i>1995</i>	<i>-</i>
<i>IKEA</i>	<i>Sweden</i>	<i>1996</i>	<i>-</i>
<i>Tesco Stores CZ, a.s. (Tesco plc.)</i>	<i>Great Britain</i>	<i>1996</i>	<i>-</i>
<i>Globus ČR, k.s. (Globus)</i>	<i>Germany</i>	<i>1996</i>	<i>-</i>
<i>Carrefour ČR, s.r.o. (Carrefour)</i>	<i>France</i>	<i>1997</i>	<i>2006 (sold to Tesco)</i>
<i>Makro Cash&Carry ČR, s.r.o. (Metro AG)</i>	<i>Germany</i>	<i>1997</i>	<i>-</i>
<i>Kaufland (Schwarz)</i>	<i>Germany</i>	<i>1997</i>	<i>-</i>
<i>Penny Market (Rewe)</i>	<i>Germany</i>	<i>1997</i>	<i>-</i>
<i>Hornbach</i>	<i>Germany</i>	<i>1998</i>	<i>-</i>
<i>Lidl (Schwarz)</i>	<i>Germany</i>	<i>2003</i>	<i>-</i>

Source: Szczyrba (2005); Starzyczná (2010); own processing

The first to participate in the stage of internationalisation were companies that managed to adapt to the inadequate parameters of domestic self-service stores, which were taken over and established in the Czech Republic by the first supermarkets in the early 1990s. As indicated above, the first to succeed on the Czech market were not the companies from Germany, which was logical given their geographical location and strong economic ties. German companies focused on the territory of the former GDR at the turn of the 1980s and 1990s, after the reunification of Germany, but quite quickly became the leading foreign players on the Czech market (Szczyrba 2006). More information can be found in Tab. 2.5.

A typical feature not only of the second part of this but also of the following stage of retail transformation in the Czech Republic was the further increasing concentration of

the sector, characterised by a gradual reduction in the number of retail units, the increase in the total sales area, the increase in an average size of sales area and the growth in the share of sales made by the largest companies. (Szczyrba 2006; Mulíček and Osman 2013).

2.2.3 The stage of consolidation (2005 – the present)

The Czech retail has gradually evolved into a highly competitive sector, and not all retail chains remained in it afterwards (see also Tab. 2.6). In 2006, French chain Carrefour left the Czech market, and its hypermarkets were sold to its competitor – the British chain Tesco. Another example was the sale of Julius Meinl supermarket network to the Dutch concern Ahold (2005) or the sale of the Julius Meinl Group's network of 130 Droxi drugstores to the German chain Schlecker (2007). Due to the bankruptcy of the mother company in Germany, the latter chain withdrew entirely from the domestic market in 2012 (Kunc et al. 2013). One of the last significant changes was the takeover of about five dozen loss-making businesses of Austrian Spar by the Dutch Ahold in 2014, thus becoming number one in the Czech retail.

While in the 1990s, some domestic companies (Interkontakt Group or Pronto Plus) were among the largest trading companies, the situation has been quite different for many years now. The top positions in the TOP 10 after 2000 belonged, and still belong, exclusively to foreign entities, with two Czech entities, namely the wholesalers Geco Tabák and Peal, in the second half of the TOP 10 on a regular position. Compared to the previous years' results, domestic companies have demonstrably lost their market shares to international trading companies because these chains have taken over the wholesale function in their activities, thus also gaining an advantageous position towards the suppliers of goods. The greatest concentration can be observed in the borderline sector, where the share of sales of the former largest retailers at the end of the last decade reached 70% of the TOP 50 retailers with sales over CZK one billion.

If we look at the annual growth rates of sales and other indicators for the largest retailers over the last few years, despite relatively significant fluctuations, they are far from reaching the levels of the initial phase of internationalisation, when sales grew by tens of percent year-on-year (see Tab. 2.7). The last decade has seen a consolidation of the retail market, characterised by a lower growth rate of the largest retailers and the concurrent strengthening of their market positions. As already mentioned, this was also influenced by the departure of some large retail chains from the Czech Republic starting in 2005. The values in Tab. 2.7 also clearly show the impact of the global economic crisis in 2009–2012, followed by the indicated stabilisation of the market.

The total retail sales area reached 11 million m² at the end of the last decade, and we can say with certainty that it continued to grow in the following years (Tab. 2.8). There was no significant growth in stores in the last decade; however, the standard area exceeded the "magical" limit of 1,000 m² per 1,000 inhabitants. Its value was increased, similarly as in other European countries, by new hypermarkets and shopping centres. However,

Tab. 2.7: Development of business companies' turnover in the TOP 10 in the Czech Republic in 1993–2011

Year	Sales in TOP 10 (in CZK billion)	Of which companies with foreign capital (in CZK billion)	Year-on-year changes in TOP 10 (in CZK billion)	Year-on-year changes in TOP 10 (in %)
1993	22.9	6.5	-	-
1994	27.0	14.4	4.1	117.9
1995	39.9	19.1	12.9	147.8
1996	52.6	22.7	12.7	131.8
1997	58.6	33.0	32.3	111.4
1998	90.9	70.9	36.4	155.1
1999	127.3	117.0	29.7	140.0
2000	157.0	147.7	23.2	123.3
2001	180.2	170.9	14.5	114.8
2002	194.7	185.5	13.1	108.0
2003	207.8	198.5	14.0	106.7
2004	221.8	210.9	7.3	106.7
2005	229.1	216.6	29.4	103.3
2006	258.5	236.6	30.5	112.8
2007	289.0	263.3	9.4	111.8
2008	298.4	271.6	11.0	103.3
2009	308.4	282.7	0.8	103.4
2010	309.2	282.6	16.3	100.3
2011	325.5	297.1	-36.7	88.7
2012	288.8	271.5	5.6	101.9
2013	294.4	276.2	-0.5	99.8
2014	293.9	276.6	33.3	111.3
2015	327.2	285.8	-12.7	96.1
2016	314.5	267.0	43.5	113.8
2017	358.0	307.2	12.6	103.5
2018	370.6	320.9	15.2	104.1
2019	385.8	330.2	-	-

Source: *Moderní obchod 2009/1-2; Starzyczná (2010); TOP 30 of the Czech Business 2020 (2021); own processing*

compared to the most developed countries, the Czech Republic significantly lagged in this indicator. According to the estimation by GfK company in 2012 (Key European Retail Data), there was approximately 1,000 m² of retail sales area per 1,000 inhabitants in the Czech Republic, 1,440 m² in Germany, 1,750 m² in Austria, and 980 m² in Slovakia. It is

evident that the data from various sources are different; however, this does not affect the set-up growth trend. According to Eurostat data for 2010, the value of the service standard has also improved, and the decline below the threshold of 30 inhabitants per retail worker in the Czech Republic is already equal with the most advanced Europe (for example, Austria 24, Germany 25, Slovakia 28, Belgium 34).

Tab. 2.8: Changes in the Czech retail in 1998–2009

<i>Indicator</i>	<i>1998</i>	<i>2009*</i>	<i>Absolutely changed</i>	<i>Index 2009/1998</i>
<i>Number of stores</i>	<i>95,852</i>	<i>108,000</i>	<i>12,48</i>	<i>1,13</i>
<i>Sales area in m²</i>	<i>7,165,946</i>	<i>11,000,000</i>	<i>3,834,054</i>	<i>1.54</i>
<i>Number of workers**</i>	<i>278,396</i>	<i>357,792</i>	<i>79,396</i>	<i>1.29</i>
<i>Sales area standard in m²</i>	<i>697</i>	<i>1,080</i>	<i>383</i>	<i>1.55</i>
<i>Service standard</i>	<i>37</i>	<i>29</i>	<i>-8</i>	<i>0.78</i>

**The data for 2009 has been estimated. ** The Eurostat data for 2010.*

Source: An analysis on the state of the retail network in the Czech Republic, the Czech Statistical Office (2000); Cimler and Šípek (2009); Eurostat (2014); own processing

Professionals rank the Czech retail market among highly competitive and saturated markets. Therefore, also large international companies have difficulties to maintain their positions on it. Thus, the consolidation stage will likely include further exits of large companies from the market in the near future. The acquisition of their market positions will further strengthen the concentration tendencies in the sector and other large chains (Kunc et al. 2013).

The ranking order of retail chains on the Czech market has changed after many years (Tab. 2.9). The number one position has now been taken by Lidl, which increased sales by 10% to CZK 58 billion in the financial year ending February 2019, overtaking the previously strongest Kaufland. Lidl attributes this success mainly to investments in modernising and remodelling its stores and opening new ones in city centers and in office or apartment complexes. As the level of culture and sales organisation increases, it moves further away from the blanket label of discount. At the same time, Lidl builds its stores in smaller towns than it used to do. The Czech Kaufland and Lidl belong to the German Schwarz Group, which ranks fourth in the world's retail chains.

During the last years, all chains in the Czech market have accelerated the modernisation of their stores. Out of CZK 20 billion, a great amount was used for the modernisation of the existing stores. Other large chains operating in the Czech Republic include Albert, Tesco, and Penny Market. Three-quarters of the Czech market is divided among 11 retail chains, which is significantly more than in Germany or Great Britain, where the same market share is divided among four chains.

A particularity and, at the same time, the strongest player, especially in the rural area, is the Union of Czech and Moravian Consumer Cooperatives (Skupina COOP). In 2019, the

Group brought together 47 consumer cooperatives, which ran a total of about 2,500 stores (this value is slightly decreasing each year) with a total sales area of about 400,000 m² and employed over 13,000 people. In 2019, the COOP Group reported a turnover of CZK 29.4 billion, which would take it in 8th position in the ranking of the largest trading companies. The number of cooperatives is around 100,000 (Profile of COOP Group 2020).

Tab. 2.9: Top 10 retail companies in the Czech Republic according to the sales in 2020

<i>Ranking</i>	<i>Company</i>	<i>Sales in total (EUR billion)</i>	<i>Number of stores</i>
1.	<i>Lidl</i>	2.18	263
2.	<i>Kaufland</i>	2.12	134
3.	<i>Albert</i>	1.98	327
4.	<i>Tesco</i>	1.62	184
5.	<i>Geco</i>	1.47	314
6.	<i>Penny Market</i>	1.46	389
7.	<i>Billa</i>	1.12	302
8.	<i>Makro Cash & Carry</i>	1.08	13
9.	<i>Globus</i>	0.90	17
10.	<i>GGT CZ</i>	0.59	188

Source: ZaPdata (2021), TOP 30 of the Czech Business (2020)

COOP is an internationally recognised trademark of consumer cooperatives that began to emerge in the mid of 19th century in the vicinity of Manchester, England. It very quickly spread in other countries around the world, including the contemporary area of the Czech Republic. COOP is the leader in the retail grocery market in Switzerland, Italy, Finland, and Slovakia, and it also has a strong position in Scandinavia, Great Britain, Japan, and other Asian countries (Profile of COOP Group 2020).

2.2.4 The stage of diversification (2013/2014 – until now)

It is a new possible stage or a partial part of the consolidation stage, which has not been, and never could be, captured in the domestic literature (Szczyrba 2005a; Starzyczna 2010; Kunc et al. 2013; Kunc 2020 and others). One of the first mentions of this forming stage is provided by Mulíček and Osman (2013), who in their study surveyed retail trade in Brno with a data basis as of mid-2013 and with the possibility of a comparative basis of similarly designed surveys from 1997, 2000, 2003, 2006 and 2009. Results of the surveys and the comparison to the previous two horizons of the survey allowed them to draw some conclusions about the beginning of changes in the structure of the retail network and the onset of the diversification stage. Its stagnation or escalation will be proved in the following years. Although this is not a nationwide survey, the results for a city the size of Brno are likely to be similar (already now or in the near future) in another urban environment in the Czech Republic.

The onset of the diversification stage is associated with a further slowdown in the concentration of retail structure accompanied by a new localisation strategy of stores with a smaller sales area. It is proved by the mentioned research by Mulíček and Osman (2013), the research by Spilková et al. (2013) conducted in Prague, focusing on the growing popularity of farm markets, and the research conducted by Kunc et al. (2012e, 2013) in Brno, revealing the growing popularity of smaller specialised retail units or new concepts of multinational chains (such as Tesco Express) in the city center.

The small-format segment of the retail structure was heavily reduced during the internationalisation and consolidation stage because it could not compete with new, modern, spacious multinational chains' stores with a full assortment, promoted via media. However, nowadays, we can see the tendency when it is possible to compete with large-scale and full-range units, under a suitable spatial location in the places of pedestrian concentration (public transport interchanges, stops/stations) and a relatively narrowly selected range of daily consumption, especially in terms of technologically unconditional availability and time-efficiency (Mulíček and Osman 2013).

According to the stated authors, the withdrawal of specific assortment groups from the inner parts of the cities took place as early as during previous periods. Typical examples include furniture, garden equipment, building material, also electrical appliances, and "hardware", to some extent, and others. Furthermore, the above mentioned authors state that the division of retail assortment – "inner city" and "suburban" (thus, another form of diversification), typically according to the average time of its consumption, is likely to continue. It can easily happen, and it is already happening to some extent, that products with a longer shelf life and greater demands on sales area will not be available in the inner city. The given fact may cause a problem in the future, especially for less mobile groups or those without access to certain transport technologies (such as older citizens, disabled individuals, unmarried mothers).

2.3 Creation of the network structure in the Czech retail

The transformation of the network structure of the Czech retail started with the development of individual large-scale selling concepts that represent the innovation both in the sector and area (Pražská and Jindra 1997). Leaving aside the retail operation-organisation structure from the period before 1990, which was represented by regional networks based on the administrative principle (Prameny, Jednoty), then the first indications of creating new network structures within the Czech retail based on the market principle were already seen in the first development stage of transformation – atomisation (Starzyczna and Steiner 2000; Szczyrba 2005a).

At the beginning of the 1990s, the first international companies (such as Ahold, Delvita) entered the Czech retail market (in a limited range) and started building up their retail networks by acquiring the existing stores that technically and spatially suited to the company's own requirements. The actual development of new large-scale selling

concepts did not start until the second development stage (internationalisation), when the largest food and non-food supranational retail concerns were entering the Czech Republic (Szczyrba 2005; Szczyrba et al. 2007).

With the arrival of international retail chains in the Czech market, the stage of the retail network development in the form of building large-scale retail units began. Characteristic networks of large-scale operation units were formed and gradually started to take the lead of the market. Similarly, retail network structures were formed in other countries of the region, in Slovakia (Mitríková 2008; Križan 2009) or in Poland (Wilk 2005).

A typical feature of the development in the Czech market was a timeline of the development process in individual large-scale selling concepts. During this development, the Czech consumer population gradually accepted almost all modern large-scale stores. The development of the retail network in the Czech Republic was established on the building of the modern network with a broad spectrum of large-size stores, and it could be divided into individual sub-phases (Szczyrba 2005a; Szczyrba et al. 2007):

- Subphase 1, dynamic development in supermarkets network, 1995 →
- Subphase 2, dynamic development in discount stores network, 1997 →
- Subphase 3, dynamic development in hypermarkets network, 1998 →
- Subphase 4, dynamic development in shopping centres network, 2000 →

The current supermarkets' market in the Czech Republic is in the hands of three foreign chains – Ahold, REWE and Tesco Stores. Some companies have already been in the Czech market since the very beginning of the internationalisation stage. Some companies have left, and their stores were transformed into stores belonging to other chains. Ahold, which operates Albert supermarkets, has been active in Czech market for a long time and it took over Juliu Meinl supermarkets in 2005. Billa supermarkets expanded its stores to include the former Delvita supermarkets, which stopped their operations in 2007. Spar entered the supermarkets' market in the same year, and the domestic COOP chain maintains a strong position. According to the results of the GfK study, these chains ran approximately 740 grocery supermarkets with a total sales area of 507,000 m² in 2016 (SOCR ČR 2020). In 2019, the number of supermarkets (excluding the new non-discount concept of Lidl) exceeded 800 units operating in the area of about 550,000 m² (SOCR ČR 2020).

Discount stores continue to develop dynamically, and, after hypermarkets, they are the second most popular type of supermarket for Czech households. In its initiation stage, it was the development of the sales network of the German supermarket chains Plus and Penny Market. The vigor with which these chains entered the market in 1997 led to the naming of this initiation as “the year of discounts”⁴. In 2003, another German discount chain Lidl started to expand rapidly. In 2007, the Plus Discount stores were taken over by REWE and renamed to Penny Market. Just Penny Market and Lidl are the only two discount chains that cover the whole territory of the Czech Republic. Another German discount network Norma operates only in the western part of the country; the COOP Diskont stores are represented in seven out of fourteen regions. At the end of 2016, four discount chains were operating in the Czech market (COOP Diskont, Lidl, Norma, and Penny Market). They ran 660 stores with

⁴ Similarly, the year of 1998 is marked as the year of hypermarkets.

a total sales area of almost 500,000 m² (SOCR ČR 2020). In 2019, the number of discount stores approached 750, and the sales area reached 570,000 m² (SOCR ČR 2020).

Networking in the hypermarket line represents one of the most visible features of the Czech retail transformation. Hypermarkets have become a decisive phenomenon in the dynamics of change in the Czech retail. Due to their regional dimension in the territorial structure and retail gravity, they represent the backbone of the Czech retail network (Szczyrba 2006). At the end of 2016, four hypermarket chains operated in the Czech market (Albert hypermarket, Globus, Kaufland, Tesco hypermarket) that were running 317 stores in total, with the total sales area of 1,369,000 m² (SOCR ČR 2020). In 2019, the number of hypermarkets was 330, and the sales area exceeded 1,400,000 m² (SOCR ČR 2020). With 32 hypermarkets per 1 million inhabitants, the Czech Republic is among the top three European countries.

As shown by the latest data obtained from the Incoma GfK company (Tab. 2.10), half of the Czech consumers (49%) prefer this format as the principal shopping place. In a brief comparison – supermarkets have stopped popularity decrease, and for quite some time, they have been fluctuating between 15–18%. Since 2005, discount stores have been stagnant between 21–24%; a more significant decline in popularity (down to 10%) has been recorded by convenience stores and smaller over-the-counter stores (SOCR ČR 2020).

Tab. 2.10: Preferences for retail formats according to households' expenses on fast-moving consumer goods (in %)

<i>Format</i>	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>	<i>2003</i>	<i>2005</i>	<i>2013</i>	<i>2016</i>
<i>Hypermarket</i>	4	16	20	29	37	36	44	49
<i>Supermarket</i>	26	23	29	26	19	15	18	16
<i>Discount stores</i>	13	15	17	18	19	24	21	23
<i>Self-service and over-the-counter store</i>	53	42	31	25	23	22	15	10
<i>Others</i>	4	4	3	2	2	3	2	2

Source: Spilková (2008); Shopping Monitor 2013 (Incoma GfK Praha, 2014); Shopping Monitor 2016 (Incoma GfK Praha 2017)

Hypermarkets still hold the top position in sales, with a market share of 36% in 2019. However, they are gradually weakening against smaller supermarkets and discount stores. Two factors influence it – the number of transactions (in other words, how many customers visit them) and the shopping basket size (the amount that the customers spend on one shopping). Moreover, the number of small-format stores, the so-called convenience stores, is decreasing. These stores are losing ground in the long-term horizon – compared to the period a decade ago; their number fell by 14% and it is further falling (idnes 2019).

More than 1,500 stores belonged to large retail chains in the Czech Republic in 2020. Their network per capita is one of the densest in the world. Despite the significant saturation of the market, new stores are still being added, and companies do not plan to limit expansion in the coming years. However, large cities are already running out of suitable land for development, and various forms of shopping parks are moving to smaller settlements to compete with the original local stores. Moreover, cities do their best to regulate the high concentration of large stores. Despite the overwhelming popularity of Czech families doing their shopping in hypermarkets, there has been a clear shift away from long shopping sprees towards saving time in recent years. The largest supermarkets are beginning to lose customers slightly, and they adapt by remodelling and reducing their sales area (ČT24 2020).

Frame 1: Rural retail – a brief overview

The support of trade and commercial services in rural areas has been an intensely debated issue in the Czech Republic in recent years, not only in the academic community but especially at the regional and national levels within the organisations and institutions concerned. It is an important issue because basic amenities meet the needs of particularly socially vulnerable populations (older adults, residents without individual car transport). The sustainability of retail stores in smaller communities of up to 500 inhabitants is primarily discussed (Kunc et al. 2013; Maryáš et al. 2014; Šilhan and Kunc 2020). On the one hand, the number of municipalities over 500 inhabitants and the number of their inhabitants have been growing in the last 10–15 years; on the other hand, the number of municipalities up to 500 inhabitants and their inhabitants is declining. A more significant relative drop in the number of inhabitants has long been recorded in municipalities up to 200 inhabitants (Association of the Czech Traditional Trade 2019).

The discussion of the expert literature brings the fact that the classical (typical) countryside is the most threatened by the weakening of amenities and service functions in the Czech space, with the most significant problems in areas classified as inner peripheries, border areas, and others. However, the weakening of rural areas is far from being the domain of Central and Eastern Europe (Lauko et al. 2008; Páll and Hanf 2013; Stanciu 2015). Similar problems are also pointed out in developed countries such as England and Scotland (Paddison and Calderwood 2007; Cunningham 1999), Germany (Trebbin et al. 2013), Finland and Denmark (Nørgaard 2011) and also the countries outside the classical European space such as Iceland and Faeroe Islands (Karlsson 2012). It is evident that the stated disparities and development barriers, or rather fundamental issues of rural areas, resonate across the European space.

While the 1990s were crucial for the comprehensive economic transformation of retail and services in the Czech Republic, the first two decades of the new century resonate with the most significant changes in terms of retail and service provision in the rural area. Unhealthy liberalisation of the market environment, pressure from large chains, lack of customers and the general inability to compete caused the disappearance of more than 6,000 small stores (up to 400 m²) after 1990, mainly in rural areas. According to the Czech Traditional Trade Association (2019) statistics, 400 stores with the sales area of up

to 50 m² were closed in the Czech Republic in 2017. Within the nationwide COOP group, the most established in the Czech and Moravian countryside, 125 stores in small villages ceased to exist or were closed in 2015–2016. More than other 900 stores were loss-making in 2016, while many of them will have to be closed.

The growth in the number of supermarkets causes troubles to entrepreneurs operating in villages as they can compete with the big chains, often only with the financial support of the municipalities. According to the Czech Traditional Trade Association, retailers keep around 17% of loss-making businesses running, mainly in rural areas. Only a few stores have been closed in the last few years, also thanks to the support provided by municipalities or regions through subsidy titles. The Obchůdek 2021+ programme, introduced by the Ministry of Industry and Trade of the Czech Republic, is determined to support small stores located in municipalities of up to one thousand inhabitants, or three thousand inhabitants consisting of local parts having less than one thousand inhabitants. At the same time, there must not be more than one store in the municipality or local district when the application is approved. The Ministry of Regional Development also wants to support the operation of small stores in rural areas; therefore, the previous trend of a very high number of stores being closed will not probably be so dynamic (ČT24 2020).

2.4 Diffusion character of retail network structure

As we have already seen in the past development of the creation of the local retail network structure, the localisation of modern large-scale stores has a diffusion character in the territory, and its elementary feature is to fill up the space in a relatively short time. The innovation in the form of a new selling concept, be it a hypermarket, discount store or shopping centre, is quickly adapted to fit its user's (consumer's) needs and spread rapidly over the space. The innovation spread without any significant barriers. In the context of changes within the retail network and creation of its network structure, it is the development that is mainly influenced by the factor of market and position, in other words, by the reached level of urbanisation in combination with the purchase power indicator (Viturka et al. 1998, Szczyrba 2005a; Szczyrba et al. 2007). Thus, in the regional-geographic context, three cases of diffusion process may be specified:

- Expansive hierarchical diffusion (its cascade subtype) is spread in line with the size of the served area, or population concentration; the size of the store correlates with the importance and the size of the settlement within the settlement served system; location of the wholesales stores in the territory is provided on the principle of complementarity⁵. Hypermarkets Tesco, Kaufland or shopping centres can be typical examples (Fig. 2.3 and 2.4);
- Expansive contact (wave) diffusion is typical for the expansion of retail discount chains of Penny Market and Plus in the direction of West → East; the development began before 1997 and was running for the next few years until the innovation wave reached the eastern border with Slovakia); in the course of the advancing wave, the space in the already "occupied" territory is filled;

⁵ In this case, the complementarity is the ability of spatial supplementation.

- Expansive contact diffusions ongoing in the form of so-called “widespread expansion”; this is an immediate nationwide coverage of the territory of the country characterised by the opening of several dozen stores in one day, which is how the company starts its territorial expansion; this approach has so far been applied in the Czech Republic by the only foreign retail chain Lidl – it opened 14 discount stores at one point in time in mid-2003; at the end of 2004, it ran 96 of them; at the end of 2006, already 152; and currently (in 2020) it has more than 260 stores (Fig. 2.5).

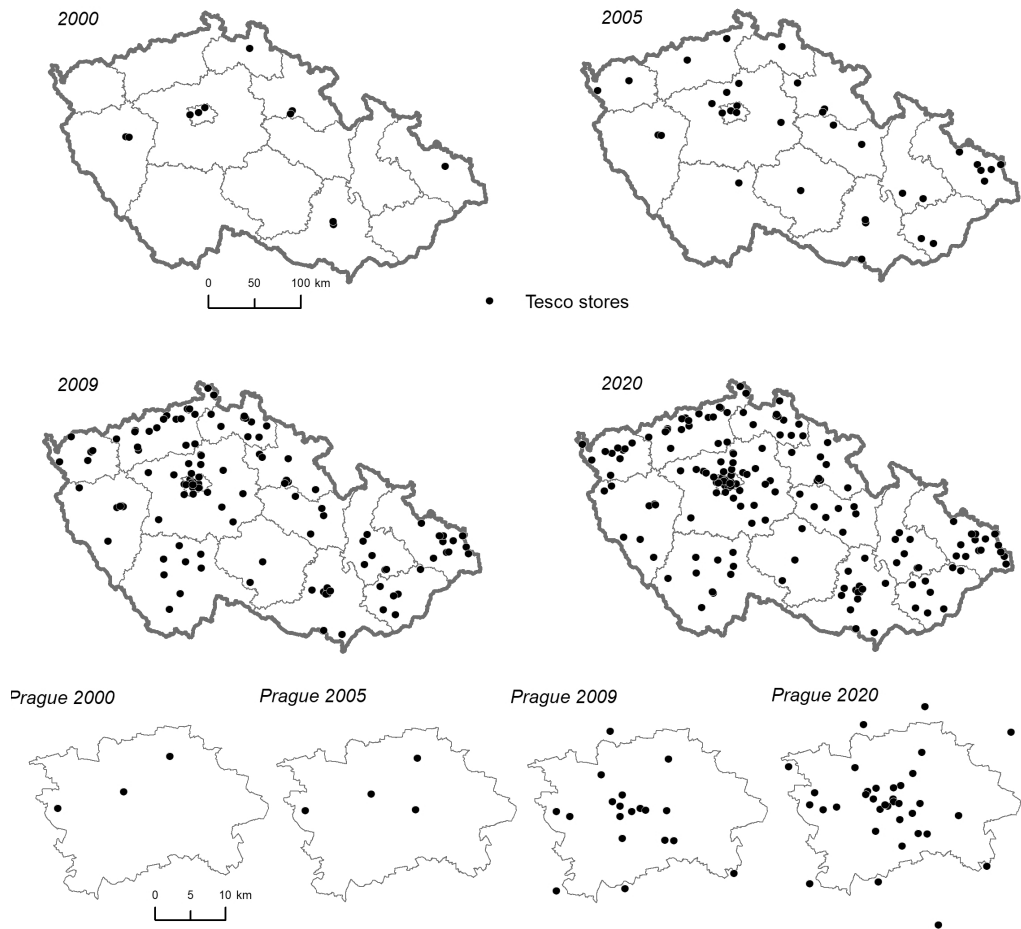


Fig. 2.3: Example of expansive hierarchical diffusion – network of Tesco supermarkets and hypermarkets in the Czech Republic

Source: The databasis of individual retail chains and shopping centres; own processing

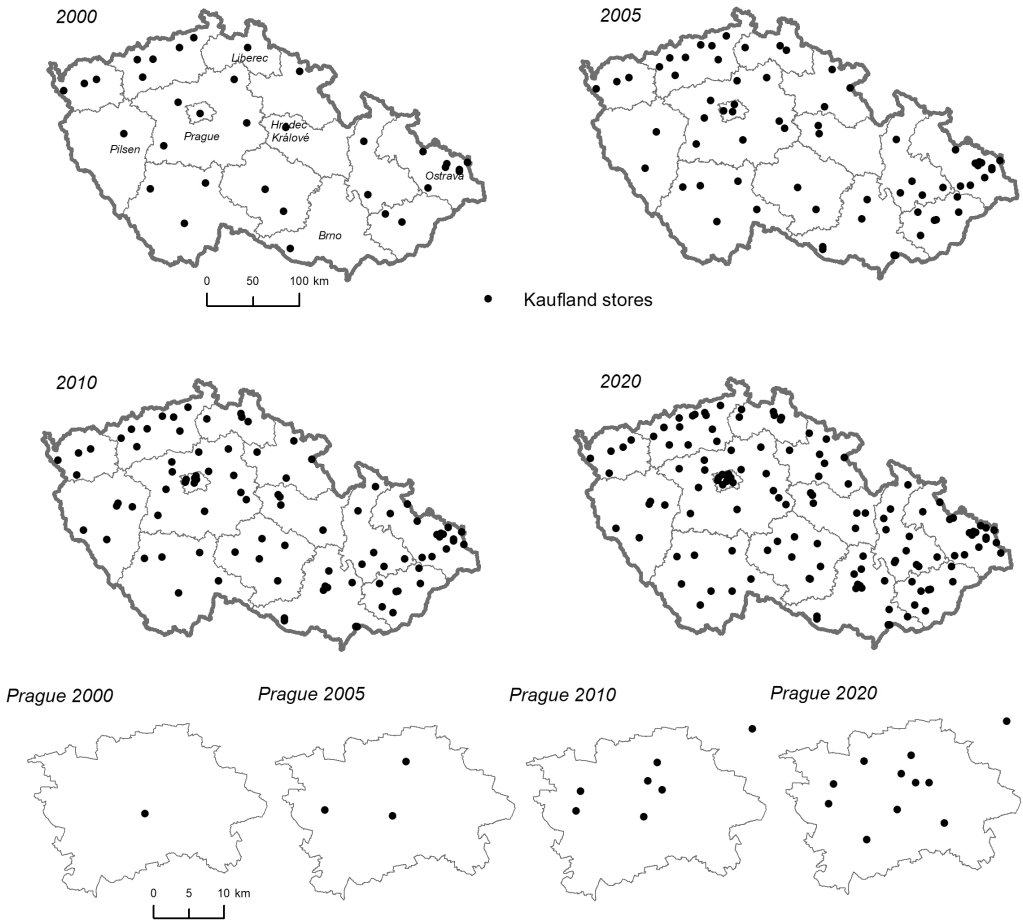


Fig. 2.4: Example of hierarchical diffusion – network of Kaufland hypermarkets in the Czech Republic

Source: The databasis of individual retail chains and shopping centres; own processing

In general terms, the current stage of expansion and consolidation, led by foreign retail chains, is entering the stage of spatial concentration, which is characterised by a growing vertical shift from larger to smaller settlements or a shift from central locations within the larger territory towards smaller centers operating in smaller territories. Thus, in practice, large format retail concepts such as hypermarkets (small formats) or hobby markets are moving towards the centers with a critical population size of around 30,000 inhabitants, supermarkets, and discount chains to virtually all commercially important centers for the sale of their goods, in other words, to the lowest hierarchical level of service centers.

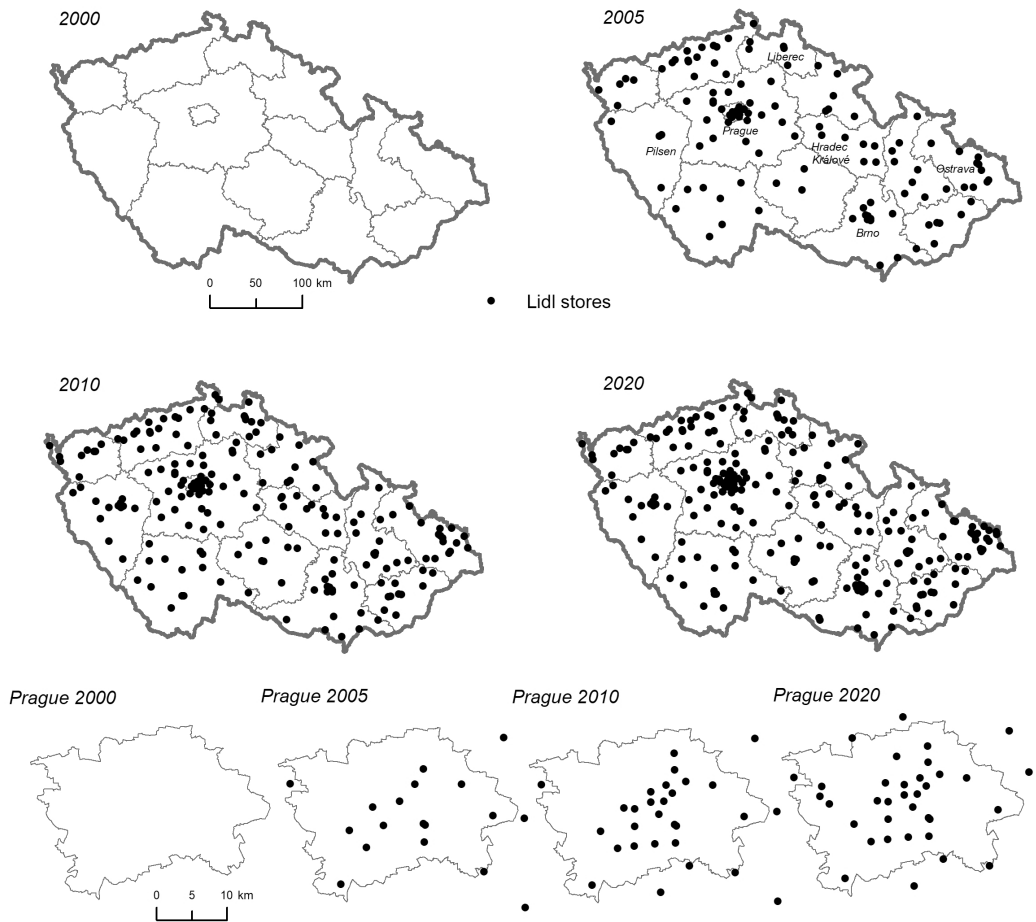


Fig. 2.5 Example of contact diffusion – network of Lidl discounts and supermarkets in the Czech Republic

Source: The databasis of individual retail chains and shopping centres; own processing

2.5 The phenomenon of shopping centres

Originally, the shopping zones in city centers were emerging without any previous planning; on the other hand, a contemporary shopping centre is (or it is supposed to be) a pre-planned intention. Its size is to correspond with the purchasing power in the catchment area, and the offered assortment should be attractive. In the Czech Republic and in other post-socialist countries, the shopping centres were not established until the second half of the 1990s, and their real boom came only in the first decade of the present century; thus, more than forty years behind economically developed Europe.

However, the dynamics of the entry and the spread of this new retail concept were much faster than in the USA and Western Europe (this was mainly due to the significant undersupply of retail space at the time, and the initial receptiveness to foreign investors), despite all negatives, such as poor spatial planning and market research, the negative impact on the socio-cultural and physical environment, and significant changes in the shopping behaviour of the population (see, for example, Kok 2007).

After the arrival of foreign chains in the Czech market and the introduction of modern retail formats (supermarkets, hypermarkets, discount stores), at the end of the 1990s, the Czech Republic began to attract developers from large shopping centres, which had already been popular in the Western Europe market environment. The development of shopping centres is, to a large extent, conditioned by a stable political environment of the host market, which the Czech Republic was only able to offer less than ten years after the fall of communism (Szczyrba 2005a). The Černý Most shopping centre in Prague, opened in 1997, became the first modern shopping centre in the Czech Republic. Other shopping centres, such as Průhonice, Borská Pole in Plzeň, or Avion Shopping Park in Brno, were opened in the following year. The development and dynamics of the shopping centres' construction is depicted in Fig. 2.6.

Since 1997, the number of shopping centres grew year after year, whereas the construction culminated in 2005–2008 (the peak of economic conjuncture). It was followed by a decrease in the construction of shopping centres, while the reason was not only the global financial crisis but also the ever-growing saturation of the market by this segment. In the last years, commonly, only one shopping centre is opened per year, and the shopping centre's management is more focused on its modernisation, re-modellation or expansion (more details can be found in the text below).

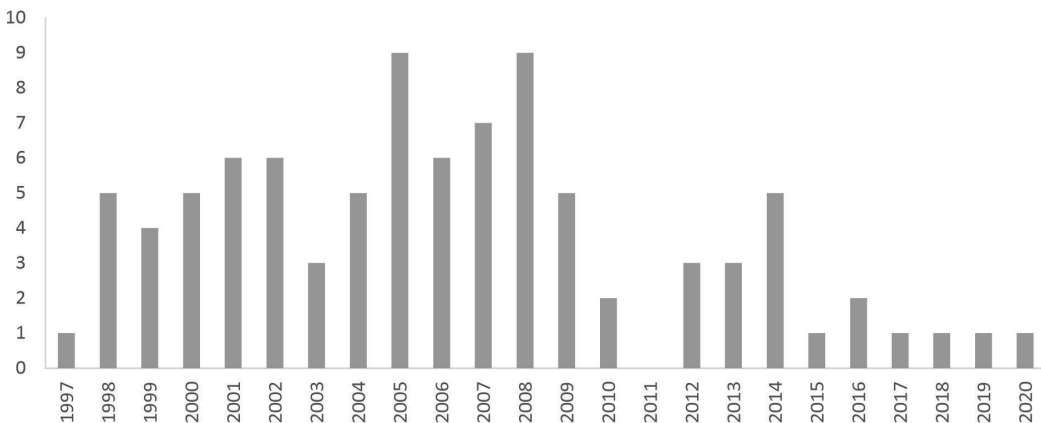


Fig. 2.6: Development in the construction of shopping centres in the Czech Republic in 1997–2020

Source: own processing

At first, shopping centres began to emerge in the outskirts of big Czech cities (most often outside the inner city and historical center). There was enough space for their construction, and vacant areas, such as greenfields, were preferred. However, as evident from Fig. 2.7 and 2.8, since 2009, the development has turned towards far more intensive use of areas and constructions in inner parts of cities and historical centers, where plants, factories, or other structures such as brownfields used to stand decades ago. Now they changed their function and became modern shopping centres (Steinführer 2006; Kuda and Smolová 2007; Kunc et al. 2011, 2012a). The developers have realised that the purchasing power and demand lie in the city, in its center, and they started to act accordingly. Targeted pressure from city officials also contributed to this situation.

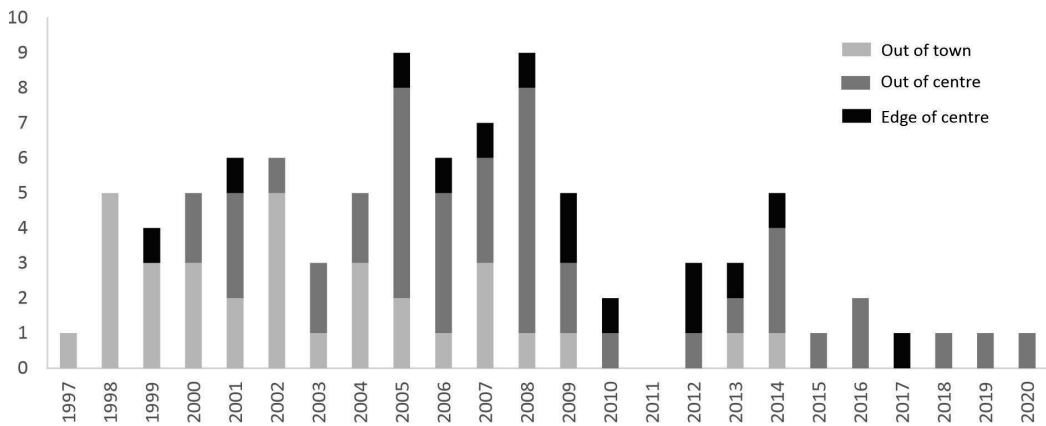


Fig. 2.7: Development in construction and localisation of shopping centres in fundamental morphogenetic city structures

Source: own processing

With the global financial crisis, starting in 2008, the construction boom of large shopping centres finished (with a few exceptions) (see also Fig. 2.9). Instead of construction, the current trend is based on reconstruction, re-modellation or expansion of the existing buildings. Thus, since 2010, about 20 shopping centres have been modernised in the Czech Republic (Kunc et al. 2020).

A traditional shopping centre is a multi-purpose project conceptually designed as a closed building in open space, which can be further subdivided according to its size. The specialised shopping centre model comprises specific purpose retail units which are typically built in the open space and can again be subdivided according to their size.

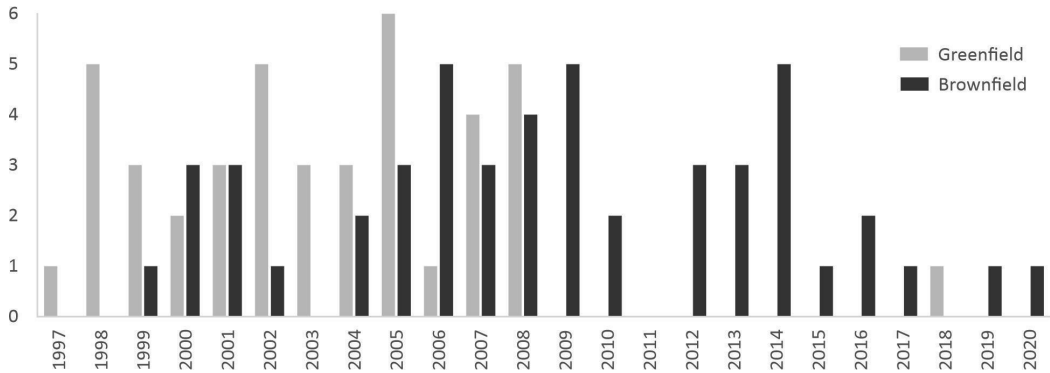


Fig. 2.8: Development in construction of shopping centres and localisation in greenfields and brownfields

Source: own processing

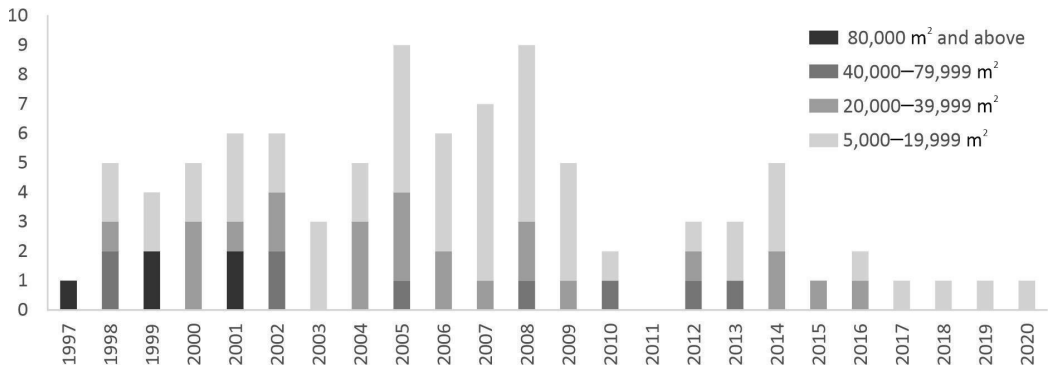


Fig. 2.9: Development in the construction of shopping centres according to the gross leasable area (m²)

Source: own processing

According to the size, the shopping centres may be divided into four primary groups (ULI 1999; Spilková 2012a). The catchment area of supra-regional centers includes 300,000 and more inhabitants and a gross leasable area of over 100,000 m²; the spheres of their influence may overlap. Regional centers are the most common; they provide a wide range of stores and services and provide their services to about 150,000 inhabitants within 30 minutes from the shopping centre. The core of a community center is a supermarket or

discount store with an area of 10,000 m² (and more), providing services to the area with 50–100,000 inhabitants. A precinct shopping centre satisfies elementary and everyday needs, and a supermarket (or even a drugstore or pharmacy) is often the magnet. The gross leasable area is usually about 5,000 m², and the catchment zone is up to 30,000 inhabitants.

In a specific analysis, it is possible to go deeper and define more distinct, historically formed morphogenetic zones in which retail and shopping centres are located. The environment of the historic towns of the Czech Republic offers five possibilities for the location of shopping centres (Kunc et al. 2012a; Kunc et al. 2013):

- City center – a traditional business and service part of a city with stores and shopping centres embedded in the historical construction;
- Outskirts of the city center – a part of a city also already with areas other than retail (such as industry, administration, educational institutions); the shopping centre is easily accessible;
- Wider inner-city – city quarters adjacent to the historical center, often with a significant residential and industrial-administrative function where the construction of shopping centres is already more feasible in vacant areas;
- Wider city area – shopping centres set mostly into peripheral housing estates complement the former occasional amenities;
- Suburban area – the construction of shopping centres is limited by the existing construction, mainly on the border or outside the administrative border of the city in the open countryside or the existing village construction with a lower retail standard.

In the city center and at the city core edge, it is most commonly possible to find shopping centres set into the existing dense housing where historical features are interlinked with modern architecture in a more or less successful form. Rarely, it may also be a completely new building with no coherence with the original elements. The construction and expansion of centers within inner-city structures are always limited by the cultural and historical value of the original buildings. These are typically multi-storey buildings with a lower total leasable area, where a large hypermarket cannot be used as a magnet. However, the magnet can also become, for example, multiplex cinema, which contributes, together with retail and service units, to the revitalization of historic urban cores. Due to traffic constraints in city centers, walking is the most common and natural mode of transport. The lack of parking spaces in the hinterland of the center can be considered a problem, which is understandable, especially in the pedestrian zones of historical cores, or compensated for by the location and walking distance to public transport or parking lots (Kunc et al. 2012a, 2012b, 2013).

We can mostly find supermarkets, self-service stores, shopping departments or small shopping centres, specialised stone stores, farmer's stores and stalls, corner shops, and others in the city centers. The suitable spatial location of smaller retail units, in the center, in places of pedestrian concentration (public transport interchanges, stops – parking spaces are often lacking), narrower and better-quality assortment – all this with technologically unconditional accessibility – are competitive advantages over large-scale

stores emerging outside the city center and its near outskirts. Multinational retail chains have already noticed it, and small-scale concepts (such as Tesco Express) are part of their current and future strategy (Kunc et al. 2012a, 2012b, 2013, 2020).

Increasingly, developers build new large-scale units and shopping centres on the outskirts of the center or in the wider inner-city on previously unused sites (brownfields); old industrial buildings are being revitalized using original and sometimes architecturally valuable elements (Crosby et al. 2005; Kunc et al. 2013). Far from always being just business or commercial areas, as Kok (2007) pointed out, retail is a trustable and important source of income, and it becomes an indispensable key factor influencing the feasibility of the whole intent.

Outside the city center and its nearest edge, the possibilities for spatial expansion are bigger; large-scale concepts and shopping centres are being created through the re-development of the former civic amenity buildings and on vacant areas in housing estates or after re-development of production areas. Shopping centres usually include a hypermarket, a hobby market, restaurants, and services. In the suburbs or outside the city, giant projects are being built with large-scale buildings and level parking lots on open space for thousands of vehicles. The magnet is not always a hypermarket with a predominance of food products but also another entity (typically IKEA). It can, and often it does, include multiplex cinemas, restaurants and fast-food outlets, various sports facilities, recreation areas and other services and leisure facilities, as well as hobby markets and retail parks (Kunc et al. 2012a, 2012b, 2013).

It cannot be completely denied that the construction of large shopping centres outside urbanised areas will increase shopping and leisure opportunities for residents of the city and rural villages in its hinterland. On the other hand, this construction means a significant impact on the cultural area and the quality of life of the area's inhabitants (such as new technologies and transport infrastructure, creation of new public transport lines, higher intensity of car transport with all its drawbacks, take of quality land). In this respect, it is necessary to point out that since the 1960s, many Western European countries have tried to somehow regulate the construction of this type which gradually grew stronger as the main negatives associated with the increase in individual car traffic and the weakening of traditional shopping venues in city centers became more apparent (Guy 1998b; England 2000; Poole et al. 2002; Križan et al. 2019, and others). By contrast, the local authors (Spilková 2010; Spilková and Perlín 2010) repeatedly point out that, although in some former Eastern Bloc countries have adopted similar measures, there is not any unified and effective tool or measure for regulation of large-scale retail facilities outside built-up areas (or for regulation of large-scale retail facilities, in general) in the Czech Republic.

On the other hand, the construction of shopping centres in the built-up residential areas can contribute, and it has already contributed, to the revitalization of historical cores and adjacent districts that are losing their shopping and service functions just to large shopping centres built in greenfields at the cities' outskirts. The contribution to the city-forming function associated with the natural commute to the inner city for shopping and services is negligible. Czech city centers are exposed to an increasing process of commercialisation,

one of the consequences of which is the displacement of food outlets from the city center (Sýkora 2001; Ilnicki 2009; Poole et al. 2002; Kunc et al. 2012b; Križan and Šveda 2012; Križan et al. 2019). The sales area of food stores in the city centers is still declining and, with few exceptions, the area of non-food specialised stores is declining, too. The center of gravity of shopping for food and the non-food assortment is being moved to the estate zones and to the urban peripheries where supermarkets and hypermarkets are situated, often as a part of shopping centres.

The current trend and approach to the location of shopping centres is the withdrawal of large-scale projects located in the outskirts of cities. These locations, which already have elements of rural character, tend to be under pressure, especially regarding increased car traffic and land take, which are perceived mostly very negatively by local residents and municipal and city officials (Kunc et al. 2013). Limiting the construction of large new centers is typical of Western Europe in particular. Restrictive policies can be found both in Great Britain (Guy 1998b) and in Italy and France (Pellegrini 1995). The claim is also supported by studies by Cushman & Wakefield (2017), which observe a trend in the modernisation of the existing centers. Apart from the reasons mentioned above, changes in construction are often due to market saturation and changes in shopping preferences.

The center of gravity of shopping for food and the non-food assortment is being moved to the estate zones and to the urban peripheries where supermarkets and hypermarkets are situated, often as a part of shopping centers (Fig. 2.10).



Fig. 2.10: One of the most visited shopping centers in the Czech Republic: Arkády Pankrác Prague and Galerie Vaňkovka Brno

Source: Josef Kunc archive

Compared to developed Europe, the situation in the Czech Republic is different due to the later emergence and development of shopping centres. The Czech Republic belonged, together with Poland, to the category of new developing markets (Poole et al. 2002), and was later followed by Slovakia, Hungary, Romania, Bulgaria, Croatia, Serbia and, in the past years, very dynamic Russia and Turkey (Kunc and Križan 2018). In the mid-1990s, the situation did not change much in the Czech Republic and other post-socialist block

countries and was similar to the former East Germany, where, after unification, there was no rapid implementation of a more important tool for regulation (Kaser 1995). However, the negative situation has not changed significantly even after several years, which is also confirmed by Spilková and Perlín (2010) who state that despite the efforts of some Central and Eastern European countries to partially regulate retail (Slovakia, Poland), the Czech Republic still lacks a comprehensive instrument for regulating the construction and location of shopping centres. The absence of legislative instruments, and the apathy of the competent authorities can also be observed in recent years and the prospects for the future do not suggest any significant positive changes.

Frame 2: Retail Parks

The term retail park refers to a retail concept, usually located on the outskirts of a city and connected to a store of one of the grocery chains (anchor), which always offers at least three stores, mainly for daily necessities, with separate entrances and shared parking. The stores are individual economic units, without a single operator or owner like in shopping centres.

In 2020, 23 retail park projects were completed or expanded in the Czech Republic with a total retail area of almost 55,000 m² while 14 brand new retail parks were built (Fig. 2.11). More than three quarters (77%) of these were new projects (14). Just 19% were expansions of the existing projects, while 4% were conversions of supermarkets or hypermarkets into retail parks. Overall, the Czech Republic now has more than 250 shopping parks. The total area of all retail parks in the Czech Republic has exceeded 1 million m².

In recent years, the construction of retail parks in the Czech Republic has focused mainly on smaller towns of up to 40,000 inhabitants. Due to their focus on essential goods stores and access to the stores directly from the parking lot, retail parks are resilient and thrive even during the coronavirus crisis and, therefore, enjoy the interest of developers and investors. The findings were revealed in an analysis by a real estate consultancy company Cushman & Wakefield (ZpPdata 2021).

Since the last construction boom in 2009, when roughly 80,000 m² of retail parks were newly completed, an average of 42,000 m² was completed annually over the next ten years, thus, making last year above average. Compared to previous years, 2020 can be assessed as a strong year in terms of new construction volume. Retail parks are an attractive concept for developers and investors in pandemic times. Last year (2020), their construction even exceeded the development of classic shopping centres (ZpPdata 2021).

2.5.1 Change in the development of shopping centres in the Czech Republic

In terms of the retail phenomenon, the shopping centres, in almost all aspects, have changed – the way and forms of construction, location within cities, tenant mix and their location within the shopping centre premises. Since 2009, shopping centres are being built inside cities, in the previously built-up areas or brownfields. The centres are smaller; many of the established and thriving shopping centres are being remodelled or expanded. The tenant mix has changed; the focus on fashion, fashionable

accessories, footwear or sports and leisure time apparel still prevails, however, there is a very dynamic development in food segment, be it classical type of fast-food or newly in the form of slow food establishments and various types of organic stores, farmer's, regional and local products, whose real authenticity can sometimes be doubted. Grocery stores, snack bars, restaurants, cafés, and so on, now occupy a large area in the center, occupying even the whole floor. Farmer markets and other types of gastronomy-focused events organised indoors, and within the close background of a shopping centres are very popular.



Fig. 2.11: Examples of retail Parks: Retail Park Karviná and Stop Shop Třebíč

Source: Josef Kunc archive

A successful shopping centre can no longer be just a place where certain goods are offered; it would not survive. It is becoming an outright “visitor destination” with an orientation towards shopping, but increasingly also towards leisure, relaxation, experience. It has become an open and relatively safe public space and a meeting place for people. In particular, the internal architecture of the centers’ buildings is more attractive in terms of the friendliness of the environment – indoor spaces are more colourful, warmer, offer a range of accompanying services, but also with more benches, greenery, relaxation areas, and so on. A thriving shopping centre has a significant impact on the region’s economy and employment, has a strong social status and respects economically/socially/environmentally sustainable forms of operation.

Shopping centre management has been forced to change marketing strategies and increasingly focus on particular population groups; general advertisement and promotions are no longer enough. This fact is related to a significant change of cultural values and life cycle connected with shopping behaviour across all generations, while a whole day spent in a shopping centre is not uncommon today. They also often become a tourist destination as a part of so-called holiday shopping (Kunc 2020).

Apart from the facts described above, it is possible to note that an enthusiastic, all accepting Czech consumer evolved into a difficult-to-please consumer in terms of the assortment offer and range, the quality, freshness, and other aspects. Customers ask for cutting-edge world brands and are willing to spend more. It applies to all population

groups, young people without a stable income and older adults (so-called silver economy). Consumers have still been using printed advertisements, such as leaflets; however, with the development of information and communication technologies, they have become “digital-oriented”. The current generation Z uses, and will be using, just various types of smart appliances which, somewhat paradoxically, help to abandon the previously preferred impulsive shopping style and force customers to plan more and think harder. As already mentioned above, shopping centre management must adapt their marketing strategies accordingly.

Previously, customers searched more, evaluated, and changed their favorite centers. Nowadays, they are more “loyal” to one or two centers; they got used to the advantages that suit them. Consumers tend to test new shopping centres; they are more conservative and, to some extent, they like comfort. Moreover, the range of loyalty programmes, discount cards, vouchers, and other benefits is expanding.

As mentioned above, digitalization, the Internet, online shopping, and smart technologies already have, or will have, an impact on functioning of Czech shopping centres. An advanced contemporary economy ensures a possibility to buy almost anything that the consumers need. Ordinary or “average” things will not have to be purchased just in a shopping centre; consumers can buy them in e-shops which have the added advantage of significantly lower operating costs. Traditional shopping centres will have to compete not only in quality but also in various specific and original activities and events, and last but not least, in the prices. We believe that people will not want to do their shopping only through technologies and smart intelligence; they will want to see the goods, touch them, or perhaps manufacture something by themselves, or at least take part in the process of manufacturing. Experience events such as “do it yourself workshops” (in particular, in the food segment) are beginning to enjoy high popularity.

The domestic shopping centres have succeeded in the European market, and currently, they are fully comparable with foreign shopping centres from Western Europe. Alternatively, they have specific and local specifics typical for the Czech environment. Here, however, we need to be aware of the economic possibilities or limits of the small population of the Czech Republic and small metropolitan areas (except for Brno). Local centers cannot be compared with large shopping centres in world cities, which are more like amusement parks.

People (consumers) in the Czech Republic accepted the shopping centres more than twenty years ago with uncritical enthusiasm. They became a phenomenon of the time and, in terms of economy, a very successful retail concept, and they have kept this status until now. Since 1997, when the first Shopping centre was opened – Černý most in Prague, only one shopping centre ceased in the Czech Republic (shopping centre Stodůlky in Prague). It happened in connection with the economic crisis of 2008–2011 and also its unfavorable position outside the Underground line. It was transformed into a furniture store (XXX Lutz and Möbelix). Two or three other shopping centres were pledged to banking institutions; however, they continue in their original activities. Large furniture retailers are typical tenants after a shopping centre has occupancy problems or loses its attractiveness (Kunc 2020).

2.6 Conclusions, trends, retail, and COVID-19 pandemic

Despite the withdrawal of some big players, Czech retail has remained quite fragmented. The eight largest foreign chains cover only 3/4 of the Czechs' spending on fast-moving consumer goods, in other words, food and drugstore goods. The more predatory chains, such as Lidl, are moving up, while the slower ones, such as Makro, Globus or Tesco, are going down by one or two levels. Even more fragmented is the situation in the market for small convenience stores, a trend of recent years. In comparison with developed markets, there is a strong competition in the Czech Republic. The top eight largest players elsewhere in the EU typically control over 80% of the market, and the real competition is between four to five key players. Experts believe that the above-average competition results are a great deal of rivalry between the chains, mainly on prices. More than 50% of the assortment is sold at discount sales in the Czech Republic, which means first position in Europe. Thus, with the exceptions of recent years (typically Lidl), competition is not about new ideas and innovation but rather about low prices.

A higher concentration of supranational chains cannot be expected on the Czech market in the coming years; one of the strong players would be forced to leave. Currently, however, no such entity could buy the "departing" chain without running into troubles with the antitrust authorities. If a new player came in and took over one of the chains, the concentration would not change. Tesco is said to be the biggest candidate to leave the Czech (Central European) market, but the management of this chain refuses to do so. In the last years, Tesco has improved its financial flows by selling its real estate in department stores or shopping centres in which its outlets are situated. It concentrates on its main scope of business, which is a successful sale of fast-moving goods and apparel under the F&F brand. On the other hand, Tesco belongs, together with Makro and Albert (Ahold chain), to the chains that have dropped a few levels in terms of sales over the last decade than Kaufland and Lidl.

The pandemic years of 2020 and 2021 had a great impact on retail; they could be a sort of (in)stability load test. Retailers or franchisees backed by multinational chains with extensive distribution networks and parallel e-commerce platforms had a better chance to survive. On the other hand, smaller domestic retailers relying on contact selling, some specialist stores and other units without a strong financial background experienced existential problems. The same applied, to some extent, to retailers based under one roof of an economically stable shopping centre; some of them were forced to leave the market. In terms of shopping centres, we have again encountered the situation (however, to a smaller extent), to which we have not been used to since the last global economic crisis (2008–2011) – shopping entities and areas covered with bars, an advertisement poster announcing the date when a new owner will open the store.

The pandemic state will substantially accelerate the expansion and increase the share of e-commerce in the total realised retail turnover – one-fifth share previously envisaged for the second half of the coming decade is likely to be reached in two or three years. According to the E-Commerce Association, the share of online shopping in the Czech

retail sales gained 16.2% in 2020, which was by 3.4 percentage points more than a year before and estimated to happen about three years later (RetailNews 2021b). Some entrepreneurs will permanently move to the online environment because they will not want to risk lower interest by customers after all restrictive measures are lifted. However, it is evident now that not all entrepreneurs will survive this situation; the market will experience regroupings, selections and (also positive) cleansing. Greater acceptance of online shopping platforms by the Czech population will also depend on the willingness of retailers to increase costs in response to ever-increasing consumer demands for convenience, speed, quality, and increasingly accentuated social relevance and economic sustainability.

However, despite the relatively unfavorable situation, the Czech society has no reason to abandon brick-and-mortar retail and its undeniable advantages. At the turn of 2019 and 2020, my colleagues and I conducted a survey among the youngest population, the so-called Generation Z. This survey among the young Czech population has thus become a kind of a milestone of the “old era”. It analysed their natural shopping behaviour before the economy and the stores were closed, and the associated “forced preference” for online forms of shopping. Since the spring of 2020, a whole new era has opened, and it will undoubtedly be interesting to observe and compare it with the pre-COVID-19 period.

In a sample of more than 2,000 respondents across the country, we found (rather surprisingly) that when young people were deciding between a brick-and-mortar store in a shopping centre, department store and online shopping (by the way – half of them deal with this situation currently/spontaneously, which is typical of them), the popularity of the brick-and-mortar store prevailed significantly. Therefore, we believe that once the restrictive measures are gone, all generations will return to shopping centres and brick-and-mortar stores, which will also be supported by off-season post-crisis sales, discounts, promotions, and other activities. However, corridors in shopping centres were not crowded immediately after the opening in summer 2020. People were afraid of closed premises, despite the reassurances by the shopping centre management about the quality of preventive measures, hygiene, and air ventilation. Moreover, they will be discouraged by many hygienic restrictions (wearing face masks, hands sanitization, limited possibility to try selected assortment, and so on), which will make a shopping centre visit an unpleasant activity. We believe that everything will be all right in this respect in 2022.

Large and thriving shopping centres of the supranational (or regional) importance that have already been a phenomenon of the local retail for two decades, and function as economic units, will overcome the situation, despite the numerous necessities to pay up their liabilities, to the banks, for example. The situation will be similar with hypermarkets (including those with galleries) and most supermarkets where the sale of goods and everyday staff prevails. A different situation will be with tenants – consumers will find some stores in a completely different economic condition than they used to be before 2020, or they will not find them at all. Thus, in the future, we may expect a transformation of some declining shopping centres to offices, public infrastructure, multifunctional zones, or perhaps exhibition and convention centers in the Czech Republic.

As for the rural area stores, until recently, they have served as a main place of shopping for several, mostly older, customers. However, during the last (pandemic) year, everything changed. The rural areas' inhabitants started to use their local stores more frequently. These outlets are now being reconstructed, moved to more suitable spaces, and they expand their services. Moreover, they have often become the only social center in smaller villages. The covid-related situation has pointed at the main problems of the retail in rural areas. Most rural areas' inhabitants commute to school and work to large cities where they make most of their shopping.

Small rural area stores offer only a limited range of goods, mainly due to their size and few customers. Nevertheless, stores in small towns and villages are being modernised and kept in operation. The changes aim to increase customer convenience, for example, by installing self-service systems and saving energy by installing solar panels or better insulation. One way to make older stores more attractive is through re-modelling. It helps to increase the cost-effectiveness of the overall operation. Ideally, retail in rural areas should be subsidy-free. Unfortunately, it is uneconomic to operate food outlets in villages of less than 1,000 inhabitants, and if such a service is to be maintained, it must also be financially supported. The long-term effort of the Association of Czech Traditional Trade is to involve the state in this support, which should be done through the Obchůdek 2021+ project (idnes 2021).

People felt intensively the need for the services provided by local stores just in the lockdown. Frequently, the missing social contact was realised in the stores. In the future, the stores should focus more on online platforms, be it e-shops, outlets for other online shops or other services such as Pošta Partner. Currently, some village stores already offer cashback services supplying the missing cash machines. Stores should also provide a center for municipalities and local communities; they should partner with local and regional grocery producers, farmers, or greengrocers. Cooperative stores purchase about 40–50% of the assortment right in their regions. Thanks to the development of local stores and national networks, important local economies and jobs in rural areas emerge. The environment aspect is also crucial – support of short chains – within the European strategy “From Farm to Fork”. Thus, local products become a competitive advantage of small stores.

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