

# Lithuanian Retail Development Trends

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## ABSTRACT

The article analyzes trends of retail trade development in Lithuania. It is noted that there is intense competition in retail trade. The big supermarket chains are preparing for the arrival of a competitor not only by opening new and returning old shops, but also by trying to please the client with more attractive design and a larger amount of self-service counters.

**KEYWORDS:** retail, retail development, retail development trends

**JEL Classification:** M30, M31

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## I. INTRODUCTION

According to the per capita area of food commodities, Lithuania exceeds the average of Eastern Europe and equates to Western Europe. Last year, four major retail chains of food products - Maxima, Iki, Norfa and Rimi - held around 71 percent of the total sales in Lithuania markets. Modern retail chains are approaching 90 percent market share, at that time traditional trade, most of which is made up of small independent sellers, is predicted to be far behind. Lidl retail network, which came to market in 2016, further boosted competition among the old market players. Starting in the middle of the year, Lidl ranked seventh in the retail market, and at the end of 2017, it ranked among the top retailers in Lithuania. Not all market players in Lithuania withstood intense competition and are able to secure their place in the market. Prisma retired from Lithuania without sustaining the struggle for trade networks.

## II. Retail market

Retail trade is trade in personal or household consumer goods in small quantities. Retailers (eg shops) or individuals buy goods in bulk from the manufacturer or wholesalers and sell them in small quantities and at higher prices to the end user. Retail definition presented in table 1. Cambridge English Dictionary (2019) retail define as selling goods to public in shops, while Collins English Dictionary (2019) retail define selling goods direct to the public, usually in small quantities. Sorescu, A., Frambach, R., T., Singh, J., Rangaswamy, A., Bridges, Ch. (2011) retail practice define as activity, where retailers expand their boundaries markets and new ways of communication. Vengrauskas, V., Rudienė, E. (2011) stated that there are many definitions of retail, but

all authors point out that is the purchase of goods in large quantities from suppliers or wholesalers, with the aim of selling the acquired goods to the final consumer. Pajuodis, A. (2002) define the term "retail" in functional and institutional terms:

1. In functional terms, retail is the sale of goods to end-users for personal and household needs.
2. In institutional terms, retail is defined as those enterprises which are exclusively or principally engaged the sale of goods to end users. Based on these definitions, it can be argued that pursuing this type of activity is the overriding goal meeting the needs of the society, and, at the same time, strengthening the position of the company in the market in order to gain everybody more competitive advantage.

**Table1. Retail definition**

Author	Highlight
Cambridge English Dictionary (2019)	"Selling goods in shop"
Collins English Dictionary (2019)	"Selling goods direct to the public, usually in small quantities"
Sorescu, A., Frambach, R., T., Singh, J., Rangaswamy, A., Bridges, Ch. (2011)	"Retailers expand their boundaries markets and new ways of communication"

Retail is defined as an activity related to the sale of goods and services directly to the final consumer, for his personal non-commercial use. Retailers are companies that sell goods for end use. Retail trade includes the sale of many everyday consumer products - food, textiles, furniture, tobacco products, and household goods. The development of this branch is mainly influenced by the increasing purchasing power of people. The retail sector stands out from the competitiveness of other business areas. The same type of trading companies and different types of shops compete with each other on the market. As retail competition is extremely high, market development resources are limited, so market players are not easy to attract customers, and they are forced to look for new ways to increase their revenue. Retail trade in Lithuania is seen as one of the most promising sectors of the country's economy. It is therefore important to encourage the development and intensification of this type of enterprise.

Buyers first and foremost buy food and non-food, such as clean, body care, hygiene, household and so on. goods for everyday use. Customers can buy everyday consumer goods daily, shopping for several days, weeks or more. In modern economies, a significant proportion of consumers are more likely to appreciate leisure time due to high levels of employment and, in order to save time, strive to shop around for a long time for everyday consumer goods. The activity of retail chains is primarily aimed at meeting such needs. Although there are usually stores of different sizes in the supermarket, but at least in a part of the area that is usually located in the largest retail area, there is a particularly large range of food and non-food products. The possibility of one-time shopping in one place is an essential advantage of the retail chains. In supermarkets, the number of product names ranges from 34 to 65 thousand, and their low-price stores range from 1,200 to 1,800 names. y. can buy milk, bread, meat, vegetables and the like, but the range of assortments within a single product group is much narrower. This type of store is supplied by the merchant through a large supply contract for the whole network, and a single merchandise store buys the goods independently and in small quantities [11].

In retail, there is a reciprocal link between the sale of food products (to end-users) and the market for purchasing (from suppliers). The higher the retailer's share of the final consumer market, the greater the volume of purchases from suppliers. And the higher the purchase volume, the more generally the more favorable purchase terms the retailer receives from the supplier. Favorable terms of purchase can be used to improve their position in the sales market: network development, low pricing strategy, and so on. A

significant market share gives the network the opportunity to influence the choice of products entering the market [11].

### III. Retail sector statistics in Lithuania

Turnover from retail trade, except of motor vehicles and motorcycles, in 2017 amounted to 10.4 billion EUR. And, compared to 2016, increased by 4.4 per cent. at constant prices. The biggest turnover was in Vilnius county and amounted to 36.7 per cent (2 percentage points more than in 2016). The second was Kaunas County, where the turnover of retail trade enterprises made up 19.8%. total turnover (0.3 percentage points less than in 2016).

Maximum turnover per capita in 2017 in the municipality of Kalvarija - 8.2 thousand EUR (Influence of Retail Fuel Border), Vilnius - 6.1 thousand EUR, in Klaipeda - 5.2 thousand EUR, 5 thousand EUR in Kaunas. The country's average was 3.7 thousand EUR.

**Table2. Retail trade, except of motor vehicles and motorcycles, turnover of enterprises (VAT excluded), per capita, by county [10]**

District	2016	2017
Alytus	2556	2711
Kaunas	3329	3625
Klaipėda	3552	3728
Marijampolė	3121	3344
Panevėžys	2800	2933
Šiauliai	2761	3022
Tauragė	2455	2570
Telšiai	2585	3126
Utena	2409	2529
Vilnius	4095	4728

In 2017 retail businesses belonged 16.3 thousand stores (0.8 percent less than in 2016) with a sales area of 3.3 million. m<sup>2</sup> (2.9 percent more than in 2016). In the capital region there were 4.1 thousand. stores (25.4 percent of all country stores) with a sales area of 1.2 million. m<sup>2</sup> (36.2 percent of the country's total sales area), the Central and Western Lithuania region - 12.2 thousand stores (74.6 percent) and 2.1 million m<sup>2</sup> (63.8%) of sales space. Average retail area per store in 2017 203 m<sup>2</sup>, in the capital region - 290 m<sup>2</sup>, in the region of Central and Western Lithuania - 174 m<sup>2</sup>.. Turnover of enterprises engaged in wholesale trade, except of motor vehicles and motorcycles, in 2017 amounted to EUR 20.4 billion. And compared to 2016 increased by 4.7 percent. at constant prices. 2017 turnover in the capital region amounted to 44.4 per cent, while in the Central and Western Lithuania - 55.6 per cent. total national turnover.

**Table3. Composition of turnover (VAT excluded) by county (percentage)[10]**

County	Retail trade, except of motor vehicles and motorcycles		Repair of motor vehicles and motorcycles wholesale and retail trade		Catering and beverage activities		Wholesale trade, except of motor vehicles and motorcycles	
Central and Western Lithuania region	65,3	63,3	49,4	47,3	53,2	53,1	54,2	55,6
Alytus county	3,9	3,6	1,7	1,4	3,1	3,0	1,2	1,2
Kaunas county	20,1	19,8	20,3	19,6	20,1	20,2	29,6	30,1
Klaipeda county	12,1	11,5	7,7	7,6	14,6	14,5	8,3	8,9
Marijampolė county	4,8	4,6	4,1	3,9	1,8	1,8	1,3	1,3
Panevėžys county	6,7	6,3	3,9	3,6	4,2	4,2	5,2	5,5

Šiauliai county	7,9	7,8	6,7	6,3	5,6	5,7	5,1	5,1
Tauragė county	2,6	2,4	3,0	2,9	0,9	1,0	0,4	0,4
Telšiai county	3,8	4,1	1,1	1,1	1,6	1,5	1,9	2,0
Utena county	3,4	3,2	0,9	0,9	1,3	1,2	1,2	1,1
Capital region	34,7	36,7	50,6	52,7	46,8	46,9	45,8	44,4
Vilnius county	34,7	36,7	50,6	52,7	46,8	46,9	45,8	44,4

#### IV. Retail development in Lithuania

Grewal, D., Roggeveen, A., L., Nordfält, J. (2017) stated that “in modern, multifaceted, environments, consumers are bombarded with information about goods and services. Retailers that can connect with their customers by providing targeted information and offering value stand apart and have the potential to create deep customer engagement.” Bladžiuvienė, O. (2016) define that many foreign and Lithuanian authors associate the evaluation of the efficiency of retail companies the need for ever-changing market conditions, i.e. ever-increasing competition. The already mentioned globalization is particularly impressive, as companies are competing not only on the local market, but also and internationally. Retailers in order to keep up and surmount competitors, it is necessary to continuously monitor and evaluate their activities, continuously for the best result, using resources in the most efficient way. As Ramšaitė, D. (2018) mentioned extremely strong competition in the retail sector in the corporate sector, often the place of a new trading facility the selection process is carried out not by fully comprehending all the details without fully evaluating the results of market research. The abovementioned circumstances result in the fact that retailers, wanting to be as close as possible to consumers, is increasingly set up next to existing competitors, which further exacerbates the tension of competition, as all trading objects seek to attract those the most potential customers. This raises a lot of concerns about retail sales the strategic suitability of selecting business locations. Electronic commerce is also important in retail. Older people do not use electronic commerce because of hard-to-change shopping habits. But financially, online shopping is cheap. As a result, the growth of online trade is noticeable in Lithuania. The development of the retail sector over the last year has been very rapid. Urbonavičius, S., Ivanauskas, R. (2006) define that various trends emerged at the same time: cooperation and concentration, diversification and specialization, internationalization intensified. Modern information technology is being introduced in retail. They increase labor productivity, allow you to collect a wide range of information about customers, and offer them personal offers. Various combinations of retail businesses are emerging (trading systems, groups) play an increasing role store networks. It is hoped that online trading will expand. The reasons for the development of online trading are presented in the table.

**Table4. The reasons for the development of online trading**

1. Positive reasons	2. Negative reasons
3. Rational consumer	8. Well-developed traditional retail
4. Developed logistics	9. Late online shopping development
5. Flexible billing methods	
6. Diversification of sales channels	
7. Development of online trading	

Another reason for the development of the retail market is the willingness of consumers to facilitate the process of purchasing goods and to shorten shopping time. Large retail chains have invested in the opening of small convenience stores to offices and other places where customer flows are higher, as well as improving the product mix, for example by increasing the choice of cold and hot ready meals, depending on changing consumer habits. Consumers' needs are also taken into account by other food market players: kiosks and convenience stores have expanded the range of drinks and food outlets, and gas station stores offer a wide range of hot dogs and coffee to attract rushing customers. Retailers have begun to develop new store concepts, such as drive-in stores, where customers can instantly load goods into their vehicles, saving time, by adapting to the accelerating pace of consumer life. The fast pace is a major contributor to the development of online trading.

#### CONCLUSIONS

Three major trends are emerging in the retail market. The first is about changes in the food and entertainment area. For some time now, the share of cafes and restaurants in shopping centers has been discussed. Recently, there is a growing consensus that this space should be around 10-15% leasable area. The restaurant sector is not ready and sees no prospect of successful use of very high, about 30 percent. shopping areas. Renewable shopping centers are

also exploring new attractions that could attract visitors, as the modern generation, using the innovation and the Internet intensively, is used to spending their leisure time. The growing impact of e-commerce on shopping centers. In the light of global trends, traditional shopping centers will not have sales venues selling high-end goods such as baby carriages, garden supplies and other larger-scale equipment. These goods will move to the electronic space, and the supermarkets will bring together cosmetics, food items, accessories, fashion segment items and other items that the buyer needs to touch, smell, feel or taste [7].

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