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**DEVELOPMENT, IMPORTANCE AND RESULTS OF RETAIL TRADE**

**IN THE REGION OF EASTERN CROATIA**

***SUMMARY***

*The retail trade development level in the observed region is lower than in the whole of the Republic of Croatia, but it is also in disparity with the level of total socio-economic development. Therefore its results (effects) are also below the level of the Republic of Croatia as a whole. This leads to the conclusion that is necessary to change the approach in the analysis of the importance of distributive trade in the economy of the region of Eastern Croatia and that in new regional development projects the retail trade should be an integral part of regional value chains.*

**Key words:** *retail trade, the region of Eastern Croatia, selling surface,*

 *gross domestic product (GDP), value chain.*

**1. Introduction**

This paper, following the topic of this scientific symposium, analyzes the selected indicators of advancement and of the development level of distributive trade, the current development level of distributive trade, and the importance of distributive trade for the total socio-economic development in the region of Eastern Croatia.

The purpose oft his paper is to provide basic information about the state of development of the distributive trade in the region of Eastern Croatia as the basis for further research into the possibilities and needs of the development of distributive trade in the function of the total socio-economic development of the observed region.

**2. Short Review of Past Research Works and Selected Indicators**

In this paper, retail trade will cover the sales performed by trade and non-trade business entities, craftsmen and individuals (i.e., it will also cover the cases where the manufacturer sells his products in his own, so- called the industrial shop, or when a peasant or a craftsman sell their products to individual consumers at a fair).

The today's region of Eastern Croatia, as analyzed in this paper, includes the following counties: the County of Virovitica – Podravina, the County of Požega – Slavonia, the County of Brod – Posavina, the County of Osijek – Baranya and the County of Vukovar – Srijem (Syrmia). Until 1993, the analysis included the Osijek Community of Municipalities (Zajednica općina Osijek - in further text: ZO Osijek) which encompassed the then municipalities of: Beli Manastir, Donji Miholjac, Đakovo, Našice, Nova Gradiška, Orahovica, Osijek, Podravska Slatina, Slavonska Požega, Slavonski Brod, Valpovo, Vinkovci, Vukovar, Županja (14). The observed five counties in the region of Eastern Croatia include a slightly larger area than the former Osijek Community of municipalites, mainly due to the fact that it also includes a part of the County of Virovitica -Podravina; however, this difference is not of decisive importance for our analysis.

In the section about the inland trade (Segetlija, 1989a) in the publication “The Scientific Foundation for the Long-Term Socio-economic Development of the Community of Municipalities of Osijek up to the year 2010” (ed. Karpati, 1990.), there is an analysis of the period from 1970 to 1987 with an evaluation of the reached level of development of inland trade in ZO Osijek in comparison to the whole of the then Socialist Republic of Croatia (SR Croatia). The analysis has been performed with respect to: (a)organizational forms, (b) realized turnover, (c) the number of employed persons, (d) social product, (e) capacities, (f) technical-technological level of development.

From a multitude of indicators for the analysis of retail trade (Segetlija, 2009, p. 46 52) the following indicators have been chosen for the analysis of retail trade in the region of Eastern Croatia:

(1) for importance: share of the retail turnover in the gross domestic

 product (GDP);

(2) for development: (a) selling surface of shops in m2 per 1 inhabitant, and

 (b) selling surface of shops in m2 per 10,000 € of GDP;

(3) for results (effects): (a) turnover in the retail trade per l m2 of selling

 surface, (b) turnover in the retail trade per 1 employe, (c) regional index

 of buying strength (ratio between the share in the turnover and the share

 in the population).

Data for the region of Eastern Croatia will be compared with the data for the whole of the Republic of Croatia and for other countries.

**3. Importance of Retail Trade**

More recent analyses have already shown that the retail trade in economically developed countries has reached the phase of maturity and that for a long period of time it has still been realizing rather low annual growth rates. The Republic of Croatia has not reached this phase yet (Segetlija, 2010, p. 37). Therefore the share of retail turnover in the GDP in less-developed countries is higher than that share in economically more developed countries. There are also similar relations in the number of employed people.

For particular regions within states there are similar relations. In table 1 we have presented the share of the retail turnover in the GDP in Eastern Croatia and in the Whole Republic of Croatia in 2008.

Generally, it turns out that in less developed states/regions retail is of higher importance, because in these regions the share of retail turnover in the GDP or the share of the number of employees in the retail trade in the total number of employed. However, in some counties, as well as in the whole region of Eastern Croatia, the ratios are different. This is the result of numerous factors, the most important of which are: lesser power of attraction of its towns, higher shares of rural population, relatively smaller means for consumption from the state budget (pensions, salaries for employees in civil services).

Another reason why retail trade has a greater meaning in less developed states/regions, including the region of Eastern Croatia, is that these territories are the ends value chains managed by large international retail chains (Segetlija, 2011 a, p. 26).

**Table 1. Shares of retail trade in the GDP in Eastern Croatia and in the Whole**

 **Republic of Croatia in 2008.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | County | Turnover in Mill. of €. | GDP in Mill. of € | Portion of Turnover int he GDP in % |
|
|  1. | EASTERN CROATIA  |  1.114 |  6.454 |  17,3 |
|  2. | THE REPUBLIC OF CROATIA |  14.610 |  47.370 |  30,8 |

Source:(a)Gross Domestic Product of Croatia, Statistical Regions at Level 2 and Counties,2008, First Release, Number 2.1.2. from 11th February 2011.

 (b) SLJH 2009, p. 628 – 633.

Remark: Turnover has been recalculated from HRK into € at the exchange rate of 7,30 HRK = 1 €.

**4. The Level of Development of the Retail Trade**

Different analyses have always shown that the retail trade is more developed in economically more developed countries. However, in less-developed countries the development of retail trade, as measured by the selling surface of shops per 1 inhabitant, is not at the adequate level of their general economic development; in these countries it has been developed above proportion (Segetlija, 2010, p. 41-44). This is the result of internacionalization and globalization trends (Segetlija, 2011 a, p. 25 and 26), but also of urban planning in particular states.

**Table 2 Development of Retail Capacities in Eastern Croatia and in the Whole**

 **Republic of Croatia in 2009.**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| No. | County | Selling surface in m2  in 2009 | Population in the middle of 2009(estimation) | Selling surface in m2  in 2009 |
| per 1 inhabitant | per 10,000 € of GDP in 2008 |
|  1. | EASTERN CROATIA  |  758.683 |  858.879 |  0,88 |  11,76 |
| 2. | THE REPUBLIC OF CROATIA |  4.401.620 |  4.429.078 |  0,99 |  9,29 |

 Source:(a)Gross Domestic Product of Croatia, Statistical Regions at Level 2 and Counties, 2008, First Release, Number 2.1.2. from 11th February 2011

 (b)Xxx (2011) Sales Capacities in Retail Trade in 2009, First Release, Number

 4.1.3. from 28 April 2011, Croatian Bureau of Statistics, Zagreb

 (c)Xxx (2011): Statistical Information 2011, Croatian Bureau of Statistics,Zagreb.

Similar conclusions could also apply for particular regions within states. For the Republic of Croatia, this is visible in Table 2 which presents data about the retail surface per 1 inhabitant and about the retail surface on 10.000 € of GDP.

From Table 2 it is visible that in the region of Eastern Croatia retail capacities, as measured by the selling surface of shops, are less developed than in the whole of the Republic of Croatia.

 **5. Effects (Results) of Retail Trade**

Regarding the fact that retail capacities in the region of Eastern Croatia are developed above average, the effects (results) of retail trade are lesser than expected. This is also the case in other lesser developed regions or countries, e.g. in countries in transition. The problem of efficiency of retail trade in countries in transition is therefore connected with concentration tendencies, i.e., with the internationalization and globalization of retail trade and of a lot of unrationalness in the use of space and energy (Segetlija, 2011a, p. 26 and 27).

Table 3 shows the productivity of the selling surface and labour productivity in the retail trade in Eastern Croatia and in the Whole Republic of Croatia in 2009.

**Table 3. Selling Surface and Labour Productivity in the Retail Trade in Eastern**

 **Croatia and in the Whole Republic of Croatia in 2009.**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| No. | County | Turnover with VAT in 000 Kn | Selling surface of shops in m2 | Number of employees | Turnover per 1 m2 of selling surface | Turnover per 1 employee in 000 Kn |
|  1. | EASTERN CROATIA  | 15.866.554 | 758.683 | 20.599 | 20,9 | 770,3 |
|  2. | THE REPUBLIC OF CROATIA | 114.337.004 | 4.401.620 | 130.424 | 26,0 | 876,7 |

Source: Xxx (2011) Sales Capacities in Retail Trade in 2009, First Release, Number

 4.1.3. from 28 April 2011, Croatian Bureau of Statistics, Zagreb.

Table 4 presents regional indexes of purchasing power in the City of Zagreb, in the counties of the region of Eastern Croatia and in the whole Republic of Croatia. These data show that in economically underdeveloped counties there are possibilities for realization of greater turnover, but this should be in proportion with the level of general economic development.

**Table 4. Regional Indexes of Purchasing Power in the City of Zagereb, in the ounties of Eastern Croatia and in the Whole Republic of Croatia in 2009.**

|  |  |  |  |
| --- | --- | --- | --- |
| No. | County | Selling surface in shops in m2  per 1 inhabitant | Regional indexes of purchasing power |
|  1. | The City of Zagreb | 1,09 | 1,30 |
|  2. | The County of Virovitica - Podravina | 0,95 | 0,70 |
|  3 | The County of Požega – Slavonia | 0,85 | 0,83 |
|  4. | The County of Brod - Posavina | 0,89 | 0,69 |
|  5. | The County of Osijek - Baranya | 0,99 | 0,79 |
|  6. | The County of Vukovar - Srijem | 0,69 | 0,59 |
|  | EASTERN CROATIA (2 - 6) | 0,88 | 0,72 |
|  | THE REPUBLIC OF CROATIA | 0,99 | 1,00 |

Source: (a)Xxx (2011) Sales Capacities in Retail Trade in 2009, First Release, Number

 4.1.3. from 28 April 2011, Croatian Bureau of Statistics, Zagreb,

 <http://www.dzs.hr/Hrv_Eng/publication/2011/04-01-03_01_2011.htm>, (accessed

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 (b)Xxx (2011): Statistical Information 2011, Croatian Bureau of Statistics,

 Zagreb, <http://www.dzs.hr/>, (accessed 02 February 2012).

**6. Instead of the Conclusion**

Just as it was the case in the former socio-economic system, the retail trade in the region of Eastern Croatia today is developed above proportion regarding the size of its capacities. Data about the insufficient efficiency of retail trade in the region of Eastern Croatia suggest organizational weaknesses, which have also been characteristic for the former socio-economic system. What is needed, therefore, is a different approach in the analysis of the development of retail trade (it should be observed as an integral part of value chains).

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