

## **THE IMPORTANCE AND DEVELOPMENT FACTORS OF RETAIL BUSINESS LOGISTICS - THE CASE OF THE REPUBLIC OF CROATIA**

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### ***Abstract***

The motive for this work is a mismatch between the significance of trade (especially retail trade) according to its share in the number of employees, in the turnover, etc. in the overall economy, and its importance as a driver of supply chains and economic development in the Republic of Croatia. In the last twenty years there is an evident development of retail companies in quantitative terms (increase of sales area), but the insufficient development in qualitative terms of using modern technical and technological achievements and connectivity in the regional value adding chains. Based on available literature, the paper provides an indication of the importance and factors of development of business logistics of retail companies. Developing of retail supply chains have gained attention to the importance of retail in the management of economic processes. This paper analyzes the available statistical data (for the period of the last twenty years) on the movement of the importance of retailing in the Republic of Croatia (on the basis of its share in the overall economy) and information relating to the development factors of retail business logistics (choice of location, format of retail business units, supplier structure, market and competition, technical and technological environment, political and legal factors, etc.). Based on the importance of logistics for retail companies in national economy, the aim of this paper is to evaluate the importance of retail and the role of retail companies in the development of the national economy of the Republic of Croatia. The aim of this study are knowledge of new logistical viewpoints to the importance of retailing in the (un)successful development of the national economy of the Republic of Croatia, and respectively regional value adding chains. The work has the purpose to point out the importance of business logistics for the success of the retailer, but also the significance of the impact of internal and external factors on the development of its logistics business. Limitations of this study are related to recent statistics data. In addition, there are further more specific research needs of individual supply chains.

**Key words:** retail company, business logistics, supply chain, format of retail business unit, Republic of Croatia

## **1. INTRODUCTION**

Importance of business logistics of retail companies arises primarily from the importance of the function of trade as economic activity. An increase in the importance of business logistics can be analyzed on the basis of essential changes that are related to flows and the use of goods and information within the supply chain within the company itself, as well as within the supply chains that cross the company boundaries. These changes are also the factors behind the development business logistics of retail companies. They can be analyzed based on selected trends.

In this paper, based on the available literature, notes about trade, retail and logistics, as well as the importance and factors of the development of business logistics of retail companies are given. Then, based on the available statistical data (Central Bureau of Statistics of the Republic of Croatia, Eurostat, Deloitte, GfK), the following analysis for the Republic of Croatia are given:

- a. some specificities of the development and importance of retail companies and all distributive trades in the national economy;
- b. formats of retail business units;
- c. online retailing.

Selected data on the development of retail companies for the Republic of Croatia, analyzed for the last decade, refer to the total retail and, in particular, retail store sales: turnover, sales area and number of employees. Data on the importance of retail companies and the entire distributive trade of selected European countries (including the Republic of Croatia) refer to 2014 and 2015. Particularly important are data on large retail chains as drivers of supply chain. Data for the Republic of Croatia on the forms of retail business units and the online retail as essential factors of development of business logistics of retail companies relate to 2014 and 2015. Our analysis includes the following European countries: Austria (AT), Finland (FI), Italy (IT), Germany (DE), United Kingdom (UK), Bulgaria (BG), Estonia (EE), Croatia (HR), Hungary (HU) and Poland (PL). In particular, as countries of origin of retail companies that are among the 250 largest in the world in 2015 are indicated: Germany (DE), France (FR), United Kingdom (GB), Netherlands (NL), Spain (ES), Belgium (BE), Switzerland (CH), Russia (RU), Sweden (SE), Portugal (PT), Italy (IT), Finland (FI) Austria (AT), Denmark (DK), Norway (NO) and Croatia (HR).

The purpose of this paper is to point to the importance of business logistics for the success of a retail company, and then to certain disparities in the development of distributive trade, i.e. retail companies (as supply chain starters) with the level of economic development in the Republic of Croatia.

## **2. RETAIL COMPANY AND TRADE LOGISTICS**

The importance of business logistics of retail companies can be analyzed by looking at the importance of business logistics in total trade (trade logistics), as large retail companies have also taken on wholesale trade functions, especially space and time overcoming functions, as well as quantity, assortment and qualitative regrouping of goods. For this purpose, in this paper we will use the term "distributive trade"

(according to Eurostat). According to NACE (Rev 2, 2008, p. 217) distributive trade includes wholesale and retail sale (i.e. sale without transformation) of any type of goods, and rendering services incidental to the sale of merchandise. Thus, in the case of wholesale trade, buyers are those recipients who use these goods for further economic activity, and in retail trade it is about serving a final consumer or a final customer as a buyer (cf. Lerchenmüller, 2003, p. 19). However, there are difficulties in delimiting retail trade from the wholesale trade.

Data from Eurostat (according to NACE, Rev 2, 2008) refer to total distributive trade (Section G – Wholesale and retail trade; repair of motor vehicles and motorcycles), and its components:

- Division 45 - Wholesale and retail trade and repair of motor vehicles and motorcycles;
- Division 46 - Wholesale trade, except of motor vehicles and motorcycles
- Division 47 - Retail trade, except of motor vehicles and motorcycles.

Retail company is important in institutional classification of trade (cf. Müller-Hagedorn, 2005, p. 3); but it develops a trade logistics that crosses boundaries of retailing itself. Our starting point definition of trade logistics is<sup>1</sup>: *Trade logistics is integrated management of all goods and related goods flows between the trading company and its suppliers, within the trading company and between the trading company and its customers.* As a component of trade logistics could be taken (Groß et al., 2014, str. 350 – 355):

- a. standard services in each delivery path structure
- b. special services that add value.

The first group of services is realized in: procurement logistics, warehouse logistics, distribution logistics and store logistics. Second group of services is additional and often associated with standard services. Therefore, it can be realized in a packet with the first group. This group also includes management services within new business models. These are related to new technologies and special infrastructure, the use of know-how and especially the extra-educated staff. For the contemporary trade logistics, the following can be determined (Wirtschaftslexikon, 2016.): *Logistics in the trade consists of the area of internal logistics of supply, distribution and disposal, which is especially important for the trade that connects production with the purpose of profiling in competition. Through a new development in its environment (increased environmental awareness, user requirements for the introduction of the JIT system), the trade is forced to clearly define its service level and hence to its outlined strategy, most often pursuing the goal of achieving one profiling in delivery service.*

In this linkage of parts of companies, suppliers and buyers, networks are creating in which the economic importance of logistics can be described on the basis of changes in three areas: (a) cost structure; (b) markets, and (c) risks. Of course, all this is happening in the development of globalization processes, as well as in the processes of developing new technologies (see Petzinna, 2007, p. 21 and cit.).

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<sup>1</sup> Developed based on Kotzab (2003) cf. Begriffe im zentralen Glossar, 2005.

### **3. TRADE FUNCTIONS AND IMPORTANCE OF TRADE LOGISTICS**

The importance of trade logistics derives primarily from the importance of trade as an economic activity, and then from its role in the success of the trading company's performance. In this regard, shares of trade in value creation in individual national economies are very important, as well as share of logistical costs in the total costs of the trading company. Logistics is of particular importance in the development of large international retail companies which in today's supply chains, e.g. in the grocery sector, have the greatest power (Dujak, 2012). The term "retail supply chain" indicates a situation where a major retailer (retail chain) dominates in the supply chain.

Based on the historical analysis of trade development as an economic activity, conclusions have been reached about the constant increase of its significance with regard to the spatial and temporal distances of production from consumption, the increasing specialization of production and the provision of ever increasing differences in consumption. In this sense, trade functions have been constantly evolving. So the starting point for understanding logistics in the trade is studying about the functions of the store. Here, above all, the functions of overcoming space and time, regrouping goods by quantity, creating choices (assortments) and recruiting goods by quality should be specified. Trade functions are part of distribution functions, which relate to the bridging of spatial, temporal, quantitative and qualitative differences between production and consumption, in order to carry out goods traffic (see Ahlert, 1985, p. 11). But distribution functions are not only performed by trade companies, but also by manufacturers and consumers alike. In that sense, the integrated and unintegrated distribution channel types differ. Namely, distribution channels are all those organizations that the product has to pass between its production and consumption (Kotler/Wong/Saunders/Armstrong, 2006, p. 858). Distribution channels have already been labelled as "marketing channels" in marketing terms, as channel members are associated with multiple streams and exist (Kotler & Keller, 2006, p. 473; Kotler et al., 2005, p. 861). ): physical flow, ownership flow, payment transaction flow, flow of information and promotion flow. Starting from the function of marketing channels (Kotler, 1997, pp. 531-533), the trading functions could be divided into two areas (Segetlija et al., 2011, p. 44): field of physical distribution and marketing field. Functions in the field of physical distribution are logistics function, as they relate to trade activities in the distribution channel.

Of course, the main task of the trade is to execute its assortment function, as it connects the products offer of different manufacturers to a comprehensive assortment with benefits for consumers. This reduces the cost of order processing, which would arise when the customer specifically ordered each product separately. In addition, small quantities sale is avoided and consumers can access different types of goods in one place. In this regard, the costs for consumers are also reduced due to the intermediary trade function that it fulfils with the parallel offer of competing products of different manufacturers. The time between production and consumption is overcome by the storage function.

For a retail company it is necessary to point out that through its activity it ends the exchange phase of the economic process from which the goods passes into the



consumption phase. In the modern concentration processes large retail companies are being developed, which have also taken over the wholesale trade functions as already mentioned. So nowadays huge retailers pull goods directly from manufacturers, but on the other hand, direct distribution through online sale is getting growing importance. To many of the manufacturers, only the online store allowed direct sales to final consumers. However, direct sales are not negligible even through its own stores. Such stores are, e.g., *flagship stores*, as exclusive and unique brand stores in big cities.

From all of the above, it can be seen that logistics is the central trade competence (see Handelslogistik: Vier Stellhebel bestimmen den Erfolg, 2014). The importance of logistics in the trade is steadily increasing because of the fact that it develops in terms of flow management (see Krieger, 2017). Importance of trade logistics, i.e. logistics of a retail company, can be expressed according to the share of logistical costs.

#### 4. FACTORS OF TRADE LOGISTICS DEVELOPMENT

Factors determining the logistics of a retail company could be divided into (see Teller & Kotzab, 2002, p. 9 and cit.) external and internal. External factors include: supplier structure (number and size of supplier), competitive conditions (type of competitors, competition between individual formats of business units) and technological environment (introduction of information technology within the company and within the supply chain, political and legal factors). The internal factors of retail logistics are: location strategy (network of locations, business units formats and logistics infrastructure) and assortment strategy (range and depth of assortment, supply of space on the shelves). From the above-mentioned factors of business logistics, the decision-making parameters are performed, to set goals and define the strategies. It is considered that the greatest impact on reaching of present highest stage of business logistics is achieved by the development of the global economy in terms of business globalization in both production and distribution (Göpfert, 2006, p. 52).

Factors for the development of trade logistics can be analyzed based on trends in its environment (see Groß et al., 2014, pp. 360-363). These incentives that come from outside the profession, motivate trade for the further development of internet and cross-channel retailing. Of course, some incentives for such development may come from the trade profession itself. The new technical and technological opportunities are used not only to achieve short-term success but also to long-term commitment. In this respect, it is important to point out that the new technical and technological requirements need to be adapted to all business areas of the retail company (not just logistical). Based on the latest professional publications, six key trends can be highlighted under current conditions – they represent drivers of trade and trade logistics in all segments, which will probably play the significant role in the future. These trends change requirements on trade logistics in terms of increasing logistics quality, flexibility and efficiency, and often innovativeness. These trends can be mentioned as follows (see Groß et al., 2014, p. 361 ff.): increased traffic in e-commerce, the growth of private commerce (trading for own account) through the

mobile Internet, increasing customer requirements, demographic changes, increasing pressure on costs and the growing importance of sustainability in running the company.

Trade logistics will certainly develop on the basis of further development of online retailing and trading of individuals for their own account, and new ways of delivering goods to consumers in terms of aggregating (linking) shipment with regard to delivery routes will also need to be developed. Customer requirements are increasing in terms of the quality of the logistics service, especially keeping the delivery deadlines as well as shortening the delivery deadlines (24 hours delivery is developing). Demographic changes like population aging and changes in population structure affect and changes the purchasing behaviour (e.g. because of the difficulties in the personal supply of the elderly). Cost pressures are most apparent in energy consumption and prices, but also in the increase in total transport. However, pressures on costs also appear as competitive pressures, as prices have to be competitive.

Sustainability requirements primarily refer to retail products and services through corporate social responsibility. It is connected to the adjustment of technical and technological progress and the development of awareness of necessity for so-called green logistics. Globalization trends and new technologies affect changes in the cost structure and their reduction. Cost pressures occur through the development of market relations. Of course, the importance of business logistics is also increasing due to the growing risk taken by the companies, as market demands are becoming more complex, dynamic and less predictable.

In the expanded food sector, grocery sector (de. *Lebensmittel*), seven consumer trends and their impact on business logistics can be highlighted (Nitsche & Fiegel, 2016, str. 10 – 26): e-commerce/home delivery; transparency; seasonal and regional products; convenience food; food waste awareness; convenience stores; and labels „bio“ and „fair“.

The trend of constant expansion of e-commerce is also important in the grocery sector. For retail logistics, this factor is important due to delivering into the consumers' home. Their requirements also apply to shorter (or targeted) delivery times. Logistics requirements are increasing especially due to the need to develop *omni-*, i.e. *cross channel* logistic. Transparency requirements across the entire supply chain relate to data on product origin and production conditions, as well as transportation, warehousing and further processing of all components entering the certain product. In this sense, essential requirements relate to quality and traceability.

Logistics requirements are also increased due to consumer awareness of sustainable and healthy diet, whereby seasonal and regional products are particularly interesting. By this, an earlier approach of the offer of individual food products throughout the year and at all locations is abandoned. In such efforts raises the importance of smaller regional food producers, which need to be logistically connected. Retail logistics is also affected by the growing demand for semi-finished and ready-to-eat foods, ready for consumption. In the offer of such products the important role have the appropriate delivery speed, special packaging, etc., depending on the nature of the product (deep-frozen products, fresh products, semi-snacks). A special factor in the development of logistics is the growing awareness of consumers

about losses, i.e. food waste along the entire supply chain. Losses are related to the produced food products, but also to the losses in production and delivery processes.

The trend of Convenience Stores development is related to daily goods stores near the consumers' home, which have less sales area, a more modest product range and faster inventory turnover than traditional stores in the grocery sector. This trend is related to demographic change (population aging) and the growing number of one member families. Gas stations are often classified in this group of stores. The development of bio-products sold in convenience stores and bio-supermarkets is reflected in the development of business logistics, because in this way smaller quantities are taken from suppliers and transport is decentralized.

## 5. NEW FORMS OF RETAIL BUSINESS UNITS

Contemporary technical and technological achievements, related to information and communication technologies, have also led to new forms of retail business units, because today the marketing channel characteristics are their main characteristics. Due to e-commerce, marketing channels are enriched with new product and information flows. First of all, new development processes have led the classical retailer to become a cross-channel retailer, and additional supply options of final or business customers were also available for both the manufacturer and the wholesaler. In addition, in the processes of new specialization, the development opportunities were also provided to logistics service companies and supply chains are particularly enriched with new packaging and delivery services. In this sense, supply chains developed within the new retail network with other participants (see Groß et al., 2014, p. 337, 349). Therefore, it is about new business models.

Regarding this, it should be pointed out that a retailer, e.g. in the grocery sector, develops the two most commonly used models (see Nitsche & Fiegel, 2016, pp. 8, 9): online supermarkets and pre-commissioned box providers.

Online supermarkets do not have any sales area, they use a web platform, and deliver goods to customers from one or more warehouse locations. Such supermarkets are specialized or are full product range suppliers in the grocery sector.

Pre-commissioned box providers offer packages of selected products, such as sweets. However, convenience food boxes relate to the selected meal time and convenient delivery of the product for that time.

Due to the digitalization development and demographic changes in the European Union, sales area will be reduced. It is anticipated that in the European Union the current approximately 590 million m<sup>2</sup> of sales area will be reduced to approx. 510 to 550 million m<sup>2</sup> by 2030 (Europäischer Einzelhandel: Konsolidierung bis 2030 - Flächenrückgang um zehn Prozent, 2016).

## 6. ANALYSIS OF SELECTED INDICATORS - SPECIFICS OF THE REPUBLIC OF CROATIA

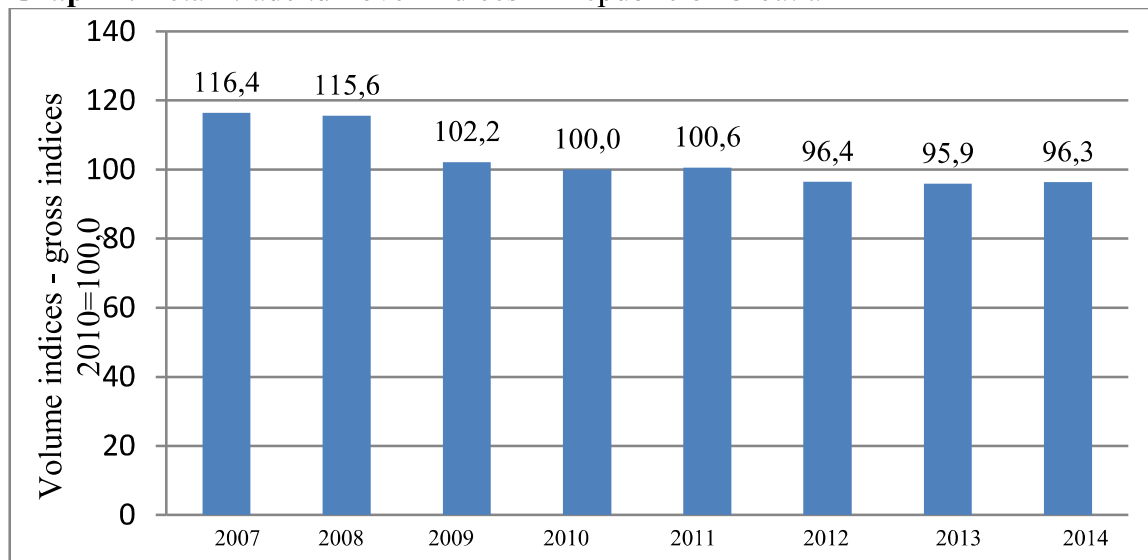
In assessing the importance of retail companies and their business logistics in the Republic of Croatia there are certain specifics. Therefore, this paper analyses the following:

- (a) the development and importance of retail companies;
- (b) forms of retail business units and online retailers.

### 6.1. Development and importance of retail companies

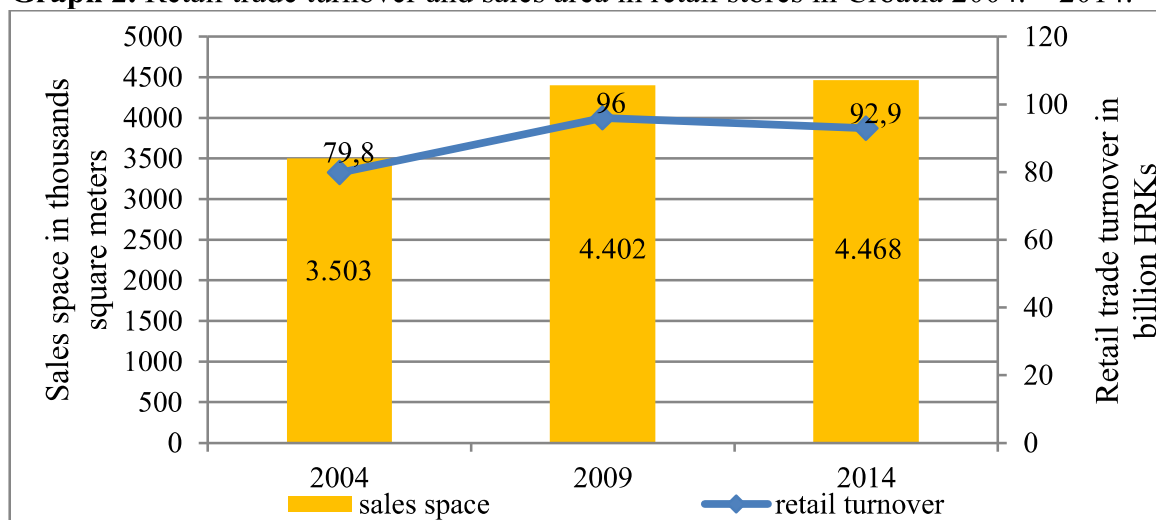
The development of retail trade in the Republic of Croatia for the period 2007 - 2014 can be seen in graph 1, showing real turnover indices in total retail trade (regardless of the predominant activity of the business entity). Given the economic downturn that prevailed over this period, retail trade turnover in 2014 was 17.3% lower than in 2007.

**Graph 1.** Retail trade turnover indices in Republic of Croatia



Source: SLJH 2015, p. 436, Central Bureau of Statistics of the Republic of Croatia, Zagreb.

Turnover trends in retail trade in the Republic of Croatia for a slightly longer period 2004 - 2014 are shown in graphs 2 and 3. It is obvious that retail trade turnover in the Republic of Croatia had a strong expansion since in the period 2004-2014 it grew by 16.4%, sales area by 27.5% and number of employees by 18.0%. However, in the period 2009 - 2014 retail turnover also decreased.

**Graph 2.** Retail trade turnover and sales area in retail stores in Croatia 2004. – 2014.

Annotation: (a) sales area in thousands square meter; (b) retail trade turnover in billions of HRKs; (c) turnover per price in 2004 (a nominal turnover corrected, with the retail price indices); (d) without kiosks and open- air sale areas.

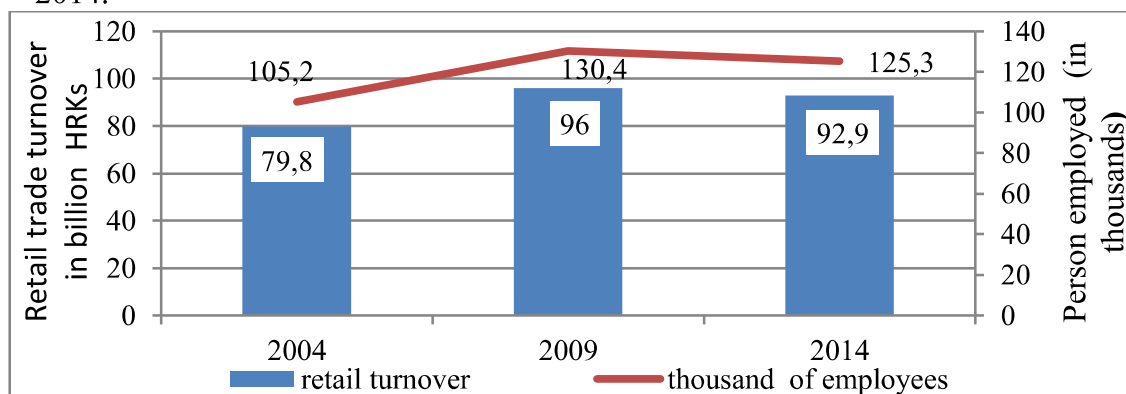
Sources: (a) Prodajni kapaciteti u trgovini na malo u 2004., Statistička izvješća 1293., Central Bureau of Statistics of the Republic of Croatia, Zagreb, 2006.

(b) Prodajni kapaciteti u trgovini na malo u 2009., Priopćenje Br. 4.1.3. od 28. travnja 2011., Central Bureau of Statistics of the Republic of Croatia, Zagreb.

(c) Prodajni kapaciteti u trgovini na malo u 2014., Priopćenje, Br. 4.1.3. od 28. travnja 2016., Central Bureau of Statistics of the Republic of Croatia, Zagreb.

(d) Mjesečno statističko izvješće, Razni brojevi, Central Bureau of Statistics of the Republic of Croatia, Zagreb.

(e) SLJH, Razna godišta, Central Bureau of Statistics of the Republic of Croatia, Zagreb.

**Graph 3.** Retail trade turnover and person employed in retail stores in Croatia 2004. – 2014.

Annotation: (s) turnover per price in 2004 (a nominal turnover corrected, with the retail price indices); (b) without kiosks and open- air sale areas.

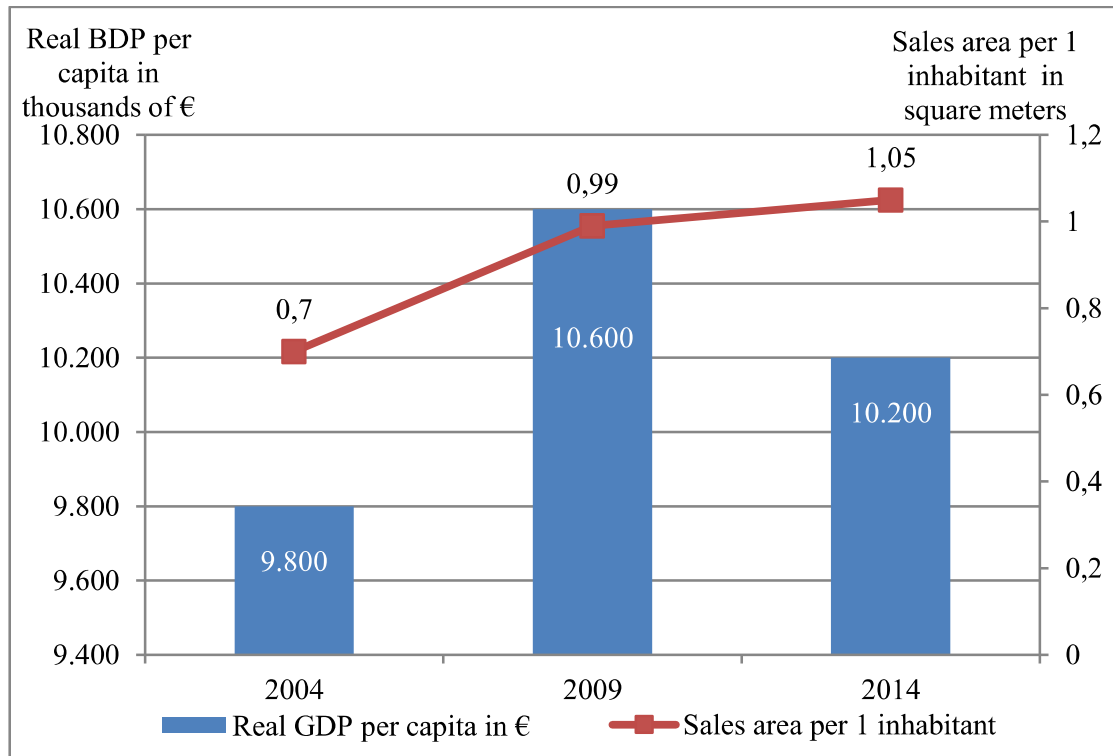
Sources: As in Graph 1.

The development of retail trade in the period 2004 - 2014 was stronger than the development of the overall economy. Thus, while the sales area per capita in the observed period 2004 - 2014 increased by 32.9%, the GDP per capita increased by



only 4.1%. This is visible from the graph 4. These trends are a reflection of uncoordinated economic development.

**Graph 4.** Sales area per 1 inhabitant and GDP per capita in Republic of Croatia 2004 - 2014



Sources: (a) Real GDP per capita, growth rate and totals, Eurostat, 2017.

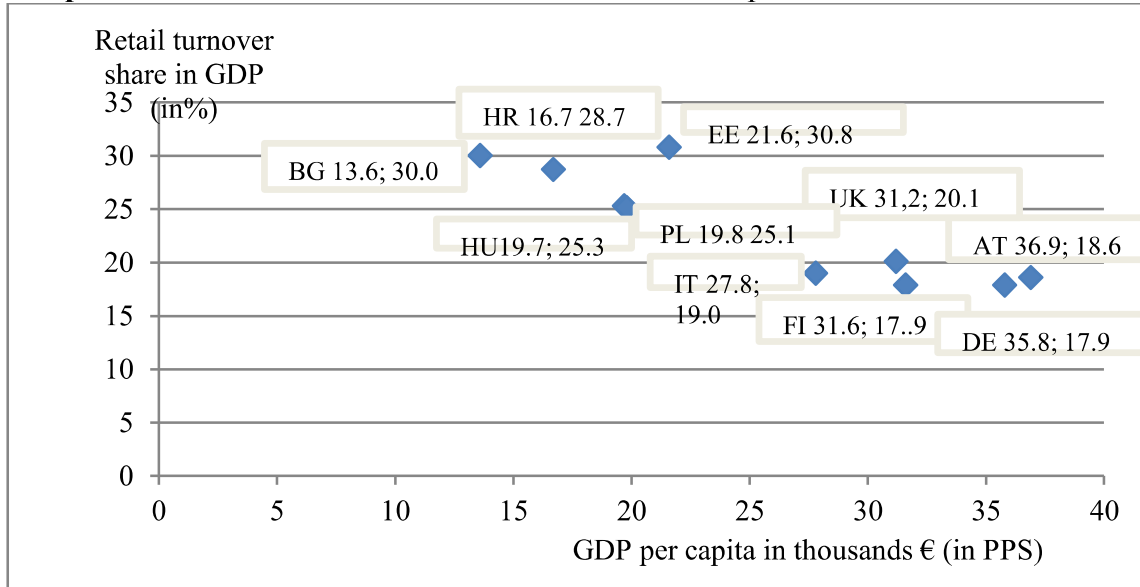
(b) Prodajni kapaciteti u trgovini na malo u 2004., Statistička izvješća 1293., Central Bureau of Statistics of the Republic of Croatia, Zagreb, 2006.

(c) Prodajni kapaciteti u trgovini na malo u 2009., Priopćenje Br. 4.1.3. od 28.travnja 2011., Central Bureau of Statistics of the Republic of Croatia, Zagreb.

(d) Prodajni kapaciteti u trgovini na malo u 2014., Priopćenje, Br. 4.1.3. od 28.travnja 2016., Central Bureau of Statistics of the Republic of Croatia, Zagreb

The importance of retail companies and overall distributive trade in national economies of selected European countries is shown in graphs 5, 6 and 7. Graph 5 shows the share of retail turnover in GDP. One can see that the transition countries (especially Bulgaria, Croatia and Estonia) have larger shares of retail turnover in GDP, although at the same time achieving significantly lower levels of GDP per capita. It is also seen that with such growth, retail turnover in the Republic of Croatia reaches 28.7% of GDP. This is a reflection of the already mentioned uncoordinated economic development.

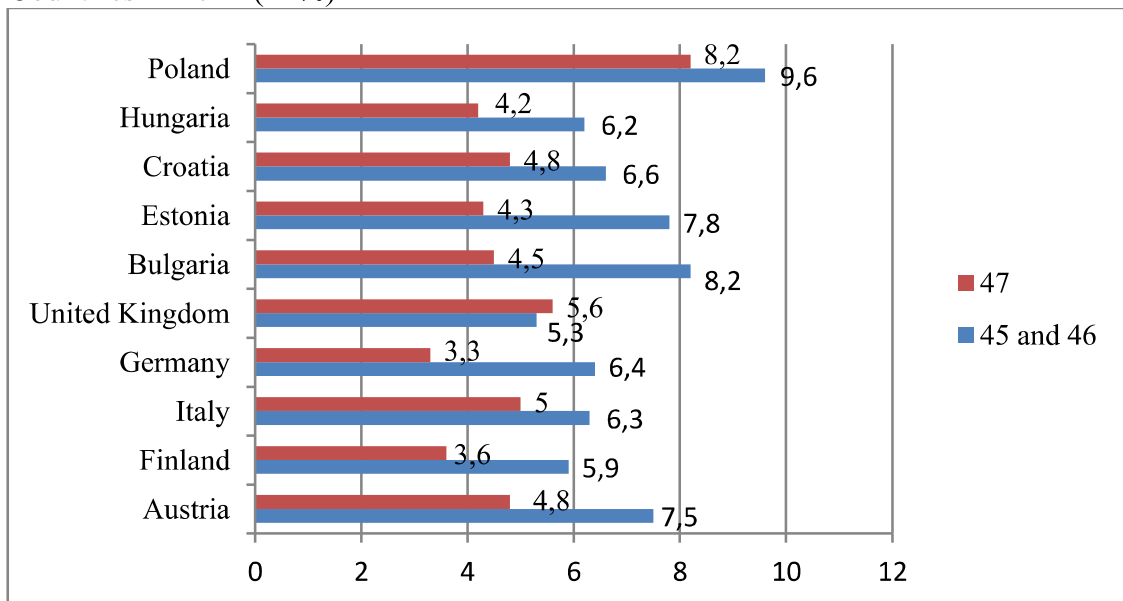
**Graph 5.** Retail turnover share in GDP in selected European Countries in 2015



Annotations: PPS – Purchases Power Standard; BG - GDP provisional; PL – GDP estimated  
 Sources: a) Main GDP aggregates per capita, Eurostat, 2017.  
 b) Annual detailed enterprise statistics for trade (NACE Rev.2 G), Eurostat, 2017.  
 c) GDP and main components (output, expenditure and income), Eurostat, 2017.

The importance of distributive trade (and retail trade within it) can be analyzed by the share of gross added value, i.e. by the share of employees of all activities in a particular country. Graph 6 shows the gross added value of retail turnover and other distributive trade in the total gross added value of all activities in the selected European countries 2014.

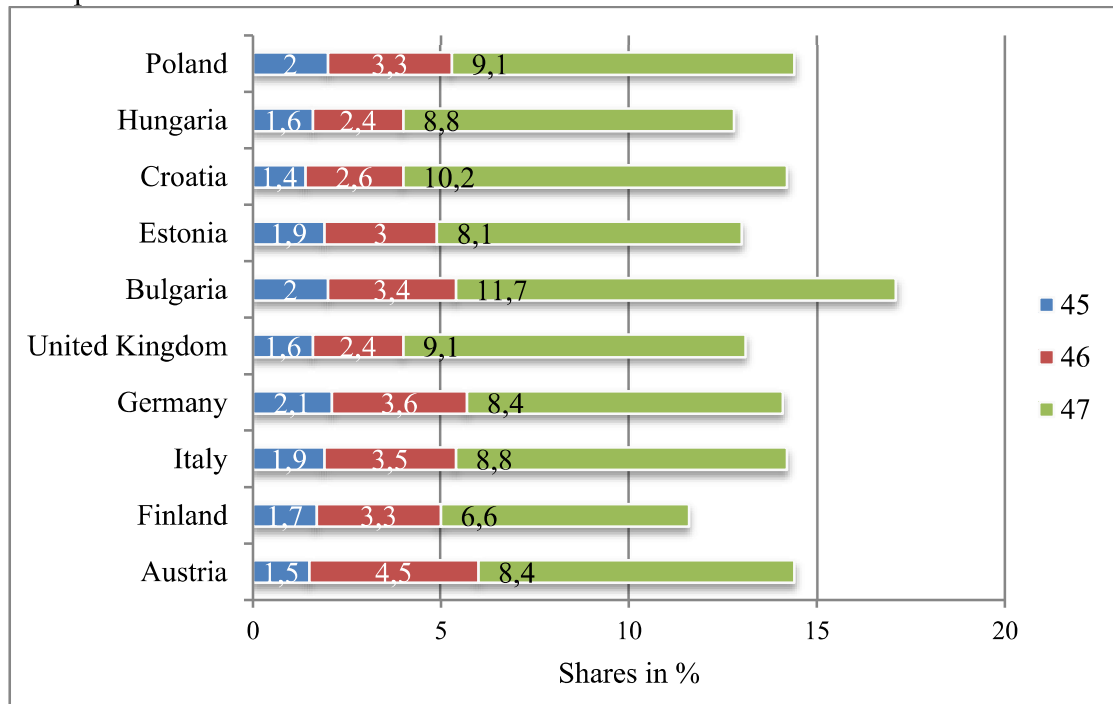
**Graph 6.** Gross value added share in total NACE activities in selected European Countries in 2014 (in %)



Sources: (a) National accounts aggregates by industry (up to NACE A´ 64), Eurostat, 2017.  
 (b) GDP and main components (output, expenditure and income), Eurostat, 2017.

Distributive trade shares in the total number of employees in all activities in selected European countries for 2015 are shown in graph 7.

**Graph 7.** Distributive trade shares in total number of employees in selected European Countries 2015



Annotation: + 15 years and over

Sources (a) Employment by sex, age and economic activity (from 2008 onwards. NACE Rev. 2) – 1.000, Eurostat, 2017.

(b) Employment by sex, age and detailed economic activity (from 2008 onwards. NACE Rev. 2 two digit level) – 1.000, Eurostat, 2017.

Particular importance of large retail companies and their activities is in the supply chain management and in the introduction of modern forms of retail business units and online retailing. Therefore, data on concentration in distributive trade are important. According to the State of the market for retail trade in grocery sector, mainly food, beverages and home hygiene products in the Republic of Croatia in 2015 (Croatian Competition Agency), the top 10 retail companies participated on the market with more than 80%. Among them were four foreign retailers.

The specificity of the Republic of Croatia is that only four retail companies from the Republic of Croatia enter the 500 largest companies of the Central and Eastern European countries in 2015. These are: Konzum d.d., Lidl HRVATSKA d.o.o.k.d., Plodine d.d. and Kaufland Hrvatska k.d. (Ranking Coface CEE Top-500 companies, 2016). Furthermore, among 250 largest retail companies in the world in 2015 entered one from the Republic of Croatia (Agrokor d.d., which also includes Konzum d.d.). Countries with the largest retail companies in the world, which are among the top 250, are shown in table 1.

**Table 1.** European Countries with the Largest Retailers 2015

Ordinal	Country	Number of companies	Number of single country operators	Share of Top 250 revenue (%)
1.	Germany*	17	1	9,66
2.	France	12	-	8,22
3.	United Kingdom	15	3	5,79
4.	Netherlands	5	1	2,16
5.	Spain	5	1	1,69
6.	Switzerland	4	-	1,39
7.	Belgium	4	-	1,20
8.	Sweden	4	2	1,00
9.	Russia	4	4	0,87
10.	Italy	4	2	0,86
11.	Norway	3	1	0,49
12.	Portugal	2	-	0,48
13.	Finland	2	-	0,41
14.	Austria	2	-	0,33
15.	Denmark	2	-	0,33
16.	Croatia	1	-	0,14
	European Retailers	85	15	34,97
	Top 250 Global Retailers	250	82	100,00

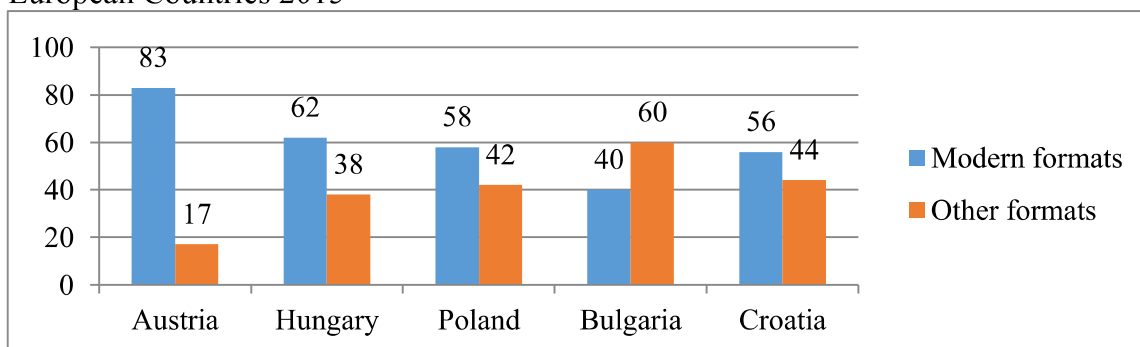
Annotation: \* One company together with Belgium.

Source: Global Powers of Retailing 2017, Deloitte, pp.17 – 22.

## 5.2. Forms of retail business units and online retail

Characteristics of the retail business units' structure in the FMCG sector for selected European countries are shown in graph 8. As the modern store formats in this graph are shown: hypermarkets, supermarkets, discount stores and cash and carry.

**Graph 8.** Value shares (in %) of store formats in FMCG – sector 2015 in selected European Countries 2015

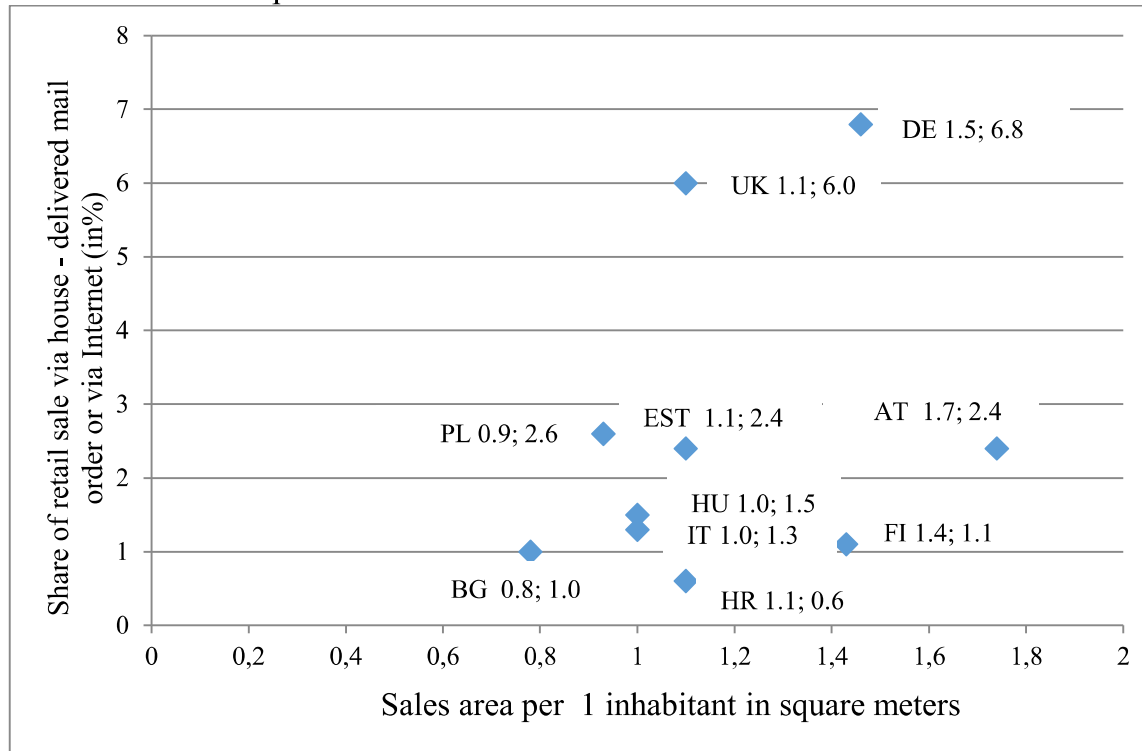


Source: Consumer Panels, Base: Tillroll or FMCG Total (depending on country), in: Schediw, 2016, p. 12

Graph 8 shows that the modern formats of retail business units in the FMCG sector in the transition countries are significantly less present. This is in line with the level of their economic development.

The development of online retail sales in the selected European countries can be seen from the data in the graph 9, showing the share of retail sales by mail and the Internet in the total retail trade turnover in the selected European countries in 2014.

**Graph 9.** Share of retail sale via mail order houses or via Internet in the retail trade\* of the selected European countries in 2014



Annotation: \* G-47 – retail trade, except motor and motorcycles.

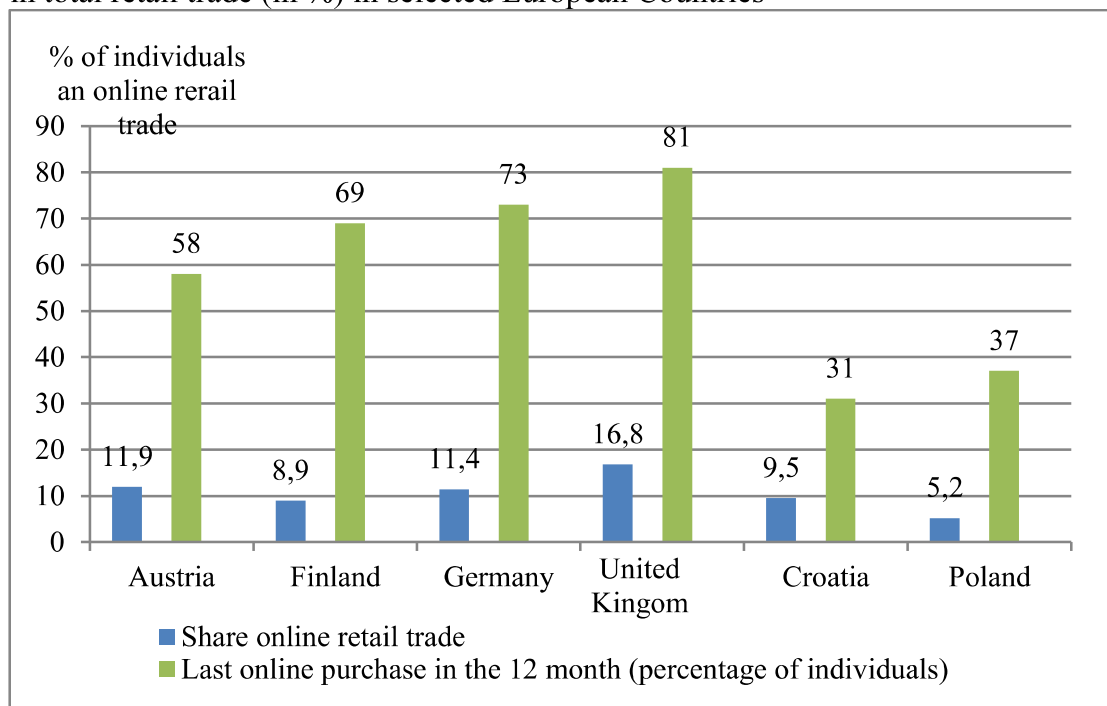
Sources: (a) *Einzelhandel Europa 2016.*, GfK Studie zu relevanten Einzelhandelsindikatoren für 2015 und Prognose für 2016.

(b) Annual detailed enterprise statistics for trade (NACE Rev. 2G) Eurostat, 2017.

It can be seen from the graph 9 that in the Republic of Croatia, retail sales by postal mail and the Internet accounted for only 0.6% of total retail turnover in 2014, although it could be much higher according to the indicators of sales equipment. However, taking into account online retail sales of foreign retail companies in the Republic of Croatia as well, a different result is obtained.

Graph 10 shows the percentages of individual customers (of the total number of customers) who have bought online and shares of online retail trade (domestic and foreign retail) in the total retail trade of selected European countries. It can be seen that the online purchase of Croatian customers from the retail companies from other countries was significant.



**Graph 10.** Last online purchase in the 12 month (2015) and online retail trade share in total retail trade (in %) in selected European Countries

Sources: (a) Internet purchases by individuals, Eurostat, 2017.

(b) Onlinehandel: Das Europa der zwei Geschwindigkeiten, 2017.

Regarding this it can be assumed that there are still some unused opportunities for online retail in the Republic of Croatia. But given the relatively small market (by population and geographically), the data is not surprising.

## 6. CONCLUSION

In considering the business logistics of retail companies, it is necessary to analyze the entire distributive trade, because large retail companies have also entered the wholesale trade business. By development of retail supply chains, trade logistics is becoming increasingly important because in such circumstances large retail companies manage economic flows in a broader, international level.

In recent developments, the importance of business logistics for retail companies is growing, not only due to the development of globalization and penetration of new technologies, but also due to the new consumer demands in terms of sustainability, healthy diet, older population supply, energy savings, unnecessary waste reduction, new consumer habits, etc.

In the last decade in the Republic of Croatia, retail trade (in terms of turnover and sales area growth) developed faster than the overall economy. In this way - according to its share in the overall economy - it became increasingly important economic activity.

However, retail companies based in the Republic of Croatia (apart from one) did not sufficiently develop supply chains as drivers of economic development. This

shows data on the smaller representation of modern forms of retail business units (retail formats) and on the shares of Croatian retail companies in online retail. Of course, opportunities to create regional supply chains (e.g. for fresh food) are still unused and in this direction should go further researches.

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