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Retail Trade

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In the coming years, retailers need to keep inflation under control, increase resilience in supply chains, increase business sustainability, and increase the use of modern technologies and offer a greater shopping experience in stores.

As of 2024 (starting from no. 110), the Sector Analyses publication will be published in English as well.



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Main sector indicators

Trade¹ is an important economic activity that has a significant impact on economic growth, employment, and generation of income. In the value added chain, it represents an intermediary and has a strong influence on the manufacturing industry and consumption, and retailers offer a large selection of products and services, and thus meet the needs of consumers. According to the data of the Croatian Bureau of Statistics [CBS], in 2023, the share of trade in the gross domestic product expressed in market prices was 20.2 percent, in the employment of legal entities 17.8 percent, and in the number of active legal entities 14.9 percent [CBS, 2024c, 2024d, 2024f].

Trade is an activity in which changes are extremely dynamic and numerous factors influence its development. In 2023, after the crisis caused by the coronavirus and strong inflationary pressures caused by geopolitical tensions and the war in Ukraine, there are indicators that point to the recovery of the economy and retail trade. Nowadays, retail trade is at a crossroads and is under pressure to control rising costs while increasing competitiveness.

This publication analyzes the situation, trends, and business events in the retail trade sector [division G47]. In addition to the analysis of the baseline indicators of the sector and indicators in the macroeconomic environment, an overview of the financial indicators of the leading retail companies in Croatia is given, as well as a comparison of Croatian trade and trade in the European Union including forecasts for the economy and trade. The final part of the analysis includes concluding considerations and recommendations for the further development of this activity.

Retail trade turnover, which includes total sales of goods and services, is the most important indicator of the success of the sector, and as such

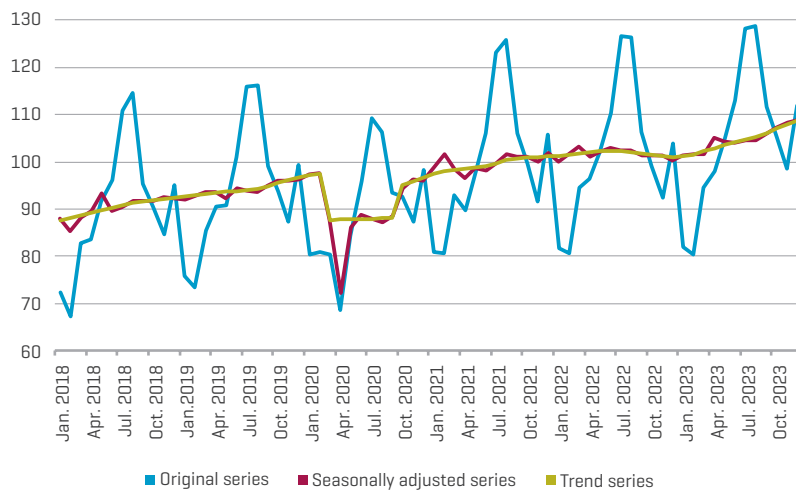
¹ According to the European Classification of Economic Activities [NACE 2007; Official Gazette, 58/2007], trade is classified in section G as wholesale and retail trade; repair of motor vehicles and motorcycles. Trade G includes division 45 [wholesale and retail trade and repair of motor vehicles and motorcycles], division 46 [wholesale trade, except of motor vehicles and motorcycles], and division 47 [retail trade, except of motor vehicles and motorcycles].

“ In 2023, real turnover in retail trade increased by 3.7 percent.

shows the activity of retailers and the structure of consumer spending. Methodologically speaking, the most important indicator is the real turnover in retail trade, which includes the correction of turnover for inflation. In 2023, the real turnover in retail trade has cumulatively increased by 3.7 percent year-on-year. Nominal price increase was 12.5 percent, and the price component was 8.8 percent. Real turnover was positive in all months throughout the year, and especially high growth rates were recorded in the last quarter. Excluding the year 2021, when increase of trade was conditioned by the recovery from the crisis caused by the coronavirus, the year 2023 saw the highest increase in turnover since 2019. The increase in real turnover in retail trade indicates the economic recovery, the growth of economic activity, and the increase in consumption. Seasonally adjusted and trend series also show increase in retail trade by 8.2 percent and 8.1 percent in December 2023 compared to the same month of the previous year [Figure 1].

Figure 1
Real turnover in retail trade – seasonally adjusted and trend series, 2015 = 100

Source: CBS [2024a].



“ Nominal turnover increase on a year-on-year level was achieved by all trade professions, except for other retail sale not in stores.

If we analyze the turnover trend according to trade professions, it is evident that the turnover expressed according to calendar-adjusted indices in the retail sale of food, beverages, and tobacco achieved an increase by 3.7 percent in 2023, and 13.6 percent in the non-food retail. If you look at the original indices, almost all trade professions had a nominal increase in turnover in that year. The largest nominal increase in turnover in the structure of nominal turnover in retail trade [G47] was achieved by retail sale of automotive fuel [42.3 percent], other specialized stores [16.4 percent], retail sale of textiles, clothing, footwear, and leather products [14.8 percent], retail sale via mail order or via internet [14.8 percent], retail sale of computer equipment, books and newspapers, games and toys, flowers and plants, watches and jewelry, and other retail sale in non-specialized stores with food [13.9 percent]. The category "Other

THE NUMBER OF ACTIVE LEGAL ENTITY RETAILERS IN TRADE DECREASED BY 4.1 PERCENT.

retail sale not in stores" recorded a decline in nominal turnover by 6.4 percent [CBS, 2024a].

The next important sector indicator is the number of retailers, because it directly affects growth, employment, and competition on the market. From a methodological point of view, the statistics follow the trend in the number of legal entities and the number of craftsmen. In 2023, the number of retailers continued to decrease. Thus, the number of active legal entities in trade decreased by 4.1 percent (1,124 in absolute amount), and the number of craftsmen by 1.4 percent (122 in absolute amount). At the same time, the number of legal entities in the economy increased by 0.3 percent, and the number of craftsmen by 5.9 percent [CBS, 2024c], which affected the decline in the share of trade in the economy. The decrease in the number of retailers is a long-term trend. Statistics show that in 2023 there were 9.2 percent fewer legal entities in trade and 6.9 percent fewer craftsmen than in 2018, while the number of legal entities in the economy increased. This reduction in the number of retailers can be interpreted as market consolidation, with large retailers crowding out small ones, leading to a concentration of the market share of large retailers.

“In retail trade, employment increased by 1.4 percent.

Retail trade represents an important employer in the economy, so it is important to monitor employment trends in this sector. For the last three years, employment in trade has been increasing. In 2023, employment in legal entities in trade [G] increased year-on-year by 2.6 percent (5,483 persons employed in absolute amount) and in retail trade [G47] by 1.4 percent (1,613 in absolute amount) [CBS, 2024d]. This increase in employment indicates an increase in economic activity and an increase in consumer optimism, which has a positive effect on consumption. At the same time, there is a lack of labor force in stores, not only salespeople or cashiers, but also drivers, storekeepers, and other types of employees [Trade Union, 2022]. Retailers solve the lack of employees by hiring pensioners, who, according to the Labor Act, are allowed to work part-time, as well as students and foreigners [Poslovni.hr, 2024; Trade Union, 2022].

At the same time, employment in the crafts has been declining for the last three years. In 2023, it was reduced by 1.8 percent [CBS, 2024]. This reduction can be explained by the closure of craft shops and increased competition from large retail chains, which are difficult for small craft shops to compete with.

“ Nominal net wages per person employed in legal entities in retail trade increased by 12.6 percent.

Wages in trade are the result of labor market dynamics. Nominal wages in trade have been increasing for the last three years, and in 2023, average monthly gross wages per person employed in legal entities in retail trade [G47] increased by 14.3 percent, and net wages by 12.6 percent [CBS, 2024e]. In the same period, at the level of the economy in legal entities, gross wages per person employed increased by 14.8 percent [6.3 percent in real terms], and net wages by 13.0 percent [4.6 percent in real terms]. Wage increase in times of inflation reflects the change in wages that have been adjusted for inflation and the cost of living in order to maintain the standard and expectations of employees. Also, in a competitive environment, retailers need to raise wages to attract labor force. Despite the increase, net wages in retail trade are still low. In 2023, net wages in retail trade were lower by 9.9 percent compared to trade and by 18.4 percent compared to the economy. Low wages reduce employee motivation, make it difficult to attract talent and experts to the sector, and have a negative impact on service and satisfaction.

The retail trade employs a significant number of women. In 2023, the share of women in the economy in legal entities was 47.5 percent, and in retail trade it was 72.2 percent, while there was a greater number of men in wholesale trade and trade of motor vehicles. The number of employed women increased in retail trade in legal entities [G47] by 1.3 percent, and in crafts it decreased by 2.4 percent year-on-year [CBS, 2024a, 2024d]. In terms of wages, there is inequality between men and women. Women are paid less than men. Statistics show that in December 2023, men in trade had an 18.4 percent higher net wage per person employed in legal entities than women [CBS, 2024e].

An important factor in the increase of retail trade is online sale. Despite the fact that available statistics indicate the increase of online sale, the volume of e-commerce compared to conventional trade is still quite low. Research by the Croatian Bureau of Statistics shows that 50 percent of Internet users bought goods and services online, which is an increase of 6 percent compared to the previous year. Clothes and shoes, tickets for events, movies and music, telecommunication services, cosmetic products, and sports equipment are most often bought via the Internet [CBS, 2023a]. Taking into account the relatively good supply of households with computers and the Internet, it can be concluded that this sales

channel is underutilized. The biggest problems that arise when buying online are the following: the product that arrived was not ordered or arrived damaged (49 percent of users), sales are not possible in Croatia (20 percent), delivery is delayed (15 percent), the goods were never delivered (12 percent), problems with order processing and payment (12 percent), unavailability of warranty information (6 percent), and seller not responding to complaints (6 percent). Internet users often browse online content and collect information about products and services (90 percent of individuals), but the number of those who decide to shop online is much smaller (CBS, 2023b). In trade, almost all businesses use computers with Internet access to perform daily tasks. However, the scale of e-commerce compared to conventional trade is low. Online sales account for only 15 percent of the total sales of goods and services (CBS, 2023c).

Macroeconomic indicators

“ In 2023, real gross domestic product and household consumption increased by 2.8 percent and 3.1 percent, respectively, which had a positive effect on retail trade turnover.

“ Positive trends in the labor market and in tourism are the next important factors in the growth of turnover.

— The macroeconomic environment has a strong influence on retail trade trends given that it determines the intensity of economic activity and components of the gross domestic product, employment and wages, price developments, and consumer expectations. Retailers should monitor trends in the macroeconomic environment and adapt to them in order to be competitive on the market. Basic trends in the macroeconomic environment are shown in Table 1.

The most important economic indicator is GDP growth. Available statistical data show that in 2023, Croatia achieved GDP growth of 2.8 percent, household consumption of 3.1 percent, government consumption of 2.8 percent, and gross investment of 4.2 percent, which had a positive impact on the increase of retail trade turnover. GDP growth is based on the growth of gross investments, household consumption, and government consumption. All these components of GDP, especially household consumption, are highly correlated with increase in retail trade. The demand was also positively influenced by trends in the labor market, i.e., the decrease in unemployment and the increase in net wages, as well as positive trends in tourism [increase in the number of tourists and overnight stays]. Increase in employment and wages positively correlates with household consumption and turnover in retail trade.

After high inflation in 2022, inflationary pressures slowed down in 2023, although the inflation is still high [8.0 percent]. In that year, there was still a sharp increase in the prices of food and non-alcoholic beverages [12.7 percent]. In that category, there was a significant increase in the prices of vegetables [17.4 percent], sugar, jam, chocolate, and sweets [17.3 percent], bread and cereals [16.9 percent], fruit [13.7 percent], milk, cheese, eggs [11.5 percent], and meat [10.7 percent]. The prices of clothing and footwear increased by 8.2 percent, alcoholic beverages and tobacco by 5.6 percent, while the price of automotive fuel for personal transport equipment decreased by 6 percent [CBS, 2024b].

INFLATION WAS 8.0 PERCENT, WHICH REDUCES THE PURCHASING POWER OF THE POPULATION.

Table 1
Trends in the macroeconomic environment in Croatia in 2021, 2022, and 2023

Indicator	2021	2022	2023
Gross domestic product, constant prices, real growth rates	13.8	6.3	2.8
Household consumption, constant prices, real growth rates	10.7	6.7	3.1
Government consumption, constant prices, real growth rates	3	2.7	2.8
Gross fixed capital formation, constant prices, real growth rates	6.6	0.1	4.2
Imports of goods and services, constant prices, real growth rates	17.3	26.5	-5.3
Exports of goods and services, constant prices, real growth rates	32.7	27	-2.9
Total consumer price index, previous year = 100	2.6	10.8	8.0
Consumer price index – food and non-alcoholic beverages, previous year = 100	1.6	15.9	12.7
Consumer price index – alcoholic beverages and tobacco, previous year = 100	5.9	3.6	5.6
Consumer price index – clothing and footwear, previous year = 100	-0.1	7.1	8.2
Prices of the manufacturing industry (C according to NACE), domestic market, change compared to December of the previous year	9.5	12.5	0.0
Volume of industrial production in the manufacturing industry, index compared to the average of the previous year	6.3	1.4	-0.2
Average monthly real net wage per person employed, year-on-year changes	2.7	-3.1	4.6
Registered unemployment rate, the ratio of the number of unemployed to the total active population, in December	7.4	6.8	6.5
Number of persons employed in legal entities, year-on-year changes	0.3	1.3	1.0
Persons employed in crafts and liberal professions, year-on-year changes	3.3	2.2	3.1
Overnight stay of tourists in commercial accommodation, year-on-year changes	72.1	28.3	2.6
Tourist arrivals in commercial accommodation, year-on-year changes	82.5	39.1	9.7
Foreign direct investment in trade, assets, in millions of euros	184.0	-23.0	258.2
Foreign direct investment in trade, liabilities, in millions of euros	577.8	443.3	259.3
Interest rates of credit institutions on kuna loans to households, consumer loans, in percentages, in December	4.99	4.65	4.69
Consumer loans in millions of euros, in December	0.8	0.5	0.3
General-purpose cash loans, in millions of euros, in December	7,040.30	7,209.30	7,991.55
Real turnover in retail trade, year-on-year changes	11.8	1.8	3.7

Source: Author's calculation based on data from the CBS and CNB [HRK exchange rate, interest rates, and foreign direct investments].

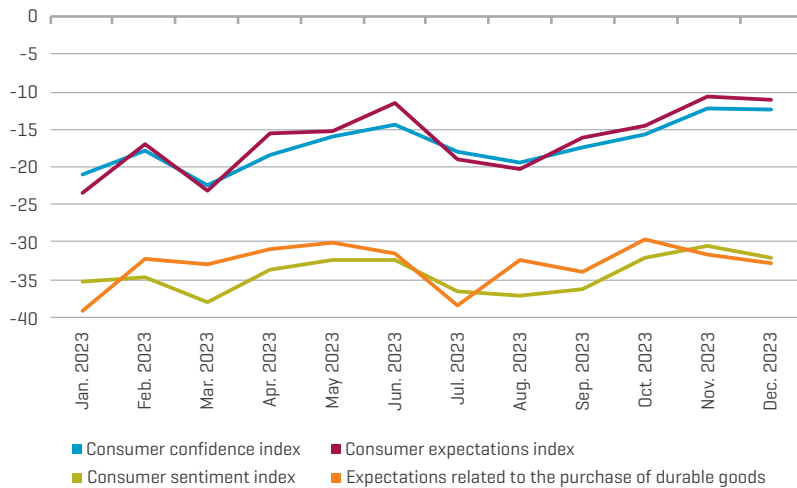
Slowdown in inflation has restored some optimism among consumers. According to CNB data, in December 2023 compared to December 2022, the confidence and expectation indices improved by 8.5 and 13.1 percentage points (Figure 2). However, the consumer sentiment index became lower by 7.9 percentage points. Consumer expectations related to the purchase of durable household goods (e.g., furniture, washing machines, and televisions) were also reduced by 4.0 percentage points (CNB, 2024a).

“In 2023, consumer optimism appeared.

Consumption is also determined by demographic trends. According to data from the Croatian Bureau of Statistics, there were 3.8 million inhabitants in Croatia in 2022. Compared to the estimate from the previous year, the number of inhabitants was lower by 0.6 percent. The natural increase is negative and amounted to -23,096 inhabitants (the rate of natural increase per thousand inhabitants is -6 percent). In Croatia, the average age of the population is increasing, from 37.1 in 1991 to 39.3 in 2001, 41.8 in 2011, and 44.3 in 2021. While in 2021, Croatia's net migration with foreign countries was negative and amounted to 4,512, the data for 2022 indicate a larger number of people immigrated from abroad than the number of people who moved abroad. Thus, in 2022, 57,972 people immigrated to Croatia from abroad, and 46,287 people moved abroad. The net migration of the population of Croatia with foreign countries was positive and amounted to 11,685. Shrinking population and its aging decrease the demand and determine the preferences of consumers according to their age.

Figure 2
Indices of confidence, expectations, and sentiment of consumers in 2023

Source: CNB (2024a).



The largest companies

“In 2022, the largest companies in retail trade achieved an increase in sales revenue by 15.9 percent. Margins increased by 17.9 percent, and profit by 12.5 percent.

FINA data were collected in order to analyze the operations of the largest companies. The latest available data are for the year 2022. According to FINA data, in 2022, companies in retail trade [G47] achieved an increase in sales revenue of 14.0 percent. Cost of goods sold increased by 12.1 percent, i.e., slightly less than sales revenue, so there was an increase in gross margin by 13.9 percent. The number of persons employed increased by 2.5 percent, but wages and staff costs increased as well [12.1 percent]. Labor productivity increased because revenues grew faster than employment. Profit before tax also increased by 7.5 percent, as revenues increased more than expenses. In principle, the data show the recovery of retail trade after the pandemic year. It should be noted, however, that these are nominal amounts and that we had high inflation that year, especially when it comes to food and non-alcoholic beverages. Table 2 shows selected indicators in the G47 activity, 2020–2022.

Table 2
Average values of selected indicators in retail trade (G47), 2020–2022

	2020	2021	2022	Index 2022/2021
Sales revenue (in billion HRK)	97.0	110.4	125.8	114.0
Cost of goods sold (in billion HRK)	70.2	79.6	90.8	114.1
Gross margin (in billion HRK)	26.8	30.7	35.0	113.9
Staff costs (in billion HRK)	9.9	10.5	11.8	112.1
Profit before tax (in billion HRK)	2.7	4.5	4.9	107.5
Profitability of sales (in %)	2.805	4.110	3.874	94.3
Fixed assets (in billion HRK)	39.3	42.6	46.4	109.0
Stocks of merchandise (in billion HRK)	11.9	12.9	15.2	117.7
Number of persons employed	99,216	113,336	116,150	102.5
Labor productivity (in thousands HRK)	977.5	973.7	1,083.3	111.3
Annual mean exchange rate, EUR/HRK	7.533	7.524	7.532	100.1

Notes: The table covers the division G47 – retail trade, except of motor vehicles and motorcycles. Profitability of sales = profit after tax/sales revenue * 100. Labor productivity = sales revenue/number of persons employed.

Sources: FINA and author's calculation.

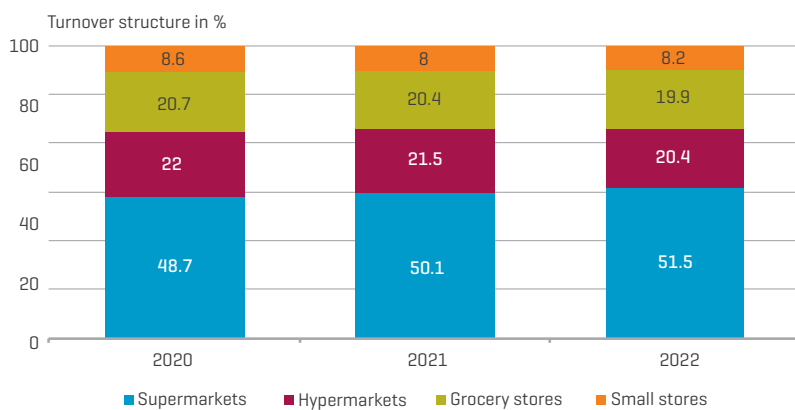
In order to get a more detailed insight into the operations of the largest retailers and the distribution of revenue by county and store type, a survey of retail grocery store for 2022, conducted by the Croatian Competition Agency on a sample of 45 largest retailers, was used. The mentioned research shows similar trends. In 2022, the most important surveyed entrepreneurs achieved a nominal increase in revenue by 15.7 percent (due to inflationary pressures), an increase in the total number of retail outlets by 3.5 percent, and an increase in the net commercial surface area by 2.1 percent compared to the previous year (CCA, 2023). Looking regionally, the largest surveyed retailers generated the highest revenue in the City of Zagreb (17.3 percent), i.e., the largest city and the largest market in Croatia, followed by Split-Dalmatia County (13.4 percent), Primorje-Gorski Kotar County (9.0 percent), Istria County (8.0 percent), Zagreb County (6.7 percent), Zadar County (6.4 percent), and Osijek-Baranja County (5.0 percent) (CCA, 2023).

“The majority of turnover is realized in supermarkets (51.5 percent) and hypermarkets (20.4 percent).

In the structure of turnover of mixed goods, mainly food, beverages, and household hygiene products of retailers in the sample (n = 45) with regard to the type of retail store, all types of retail trade achieved increase in revenue. In 2022, the largest part of turnover was realized in large stores, i.e., in supermarkets (51.5 percent) and hypermarkets (20.4 percent), which together account for 71.9 percent of turnover (Figure 3). The remaining turnover was achieved in grocery stores (19.9 percent) and small stores in the neighborhood (8.2 percent). In the period from 2020 to 2022, supermarkets increased their market share while hypermarkets decreased it. In principle, it can be said that in the last three years, the turnover structure according to the type of retail stores has been relatively stable.

Figure 3
Turnover structure by type of retail grocery stores, mainly food, beverages, and household hygiene products in Croatia in the period from 2020 to 2022, in %

Source: CCA (2023).



According to the number of stores, in the sample structure, most of them were grocery stores (2,106), small stores (1,956) and supermarkets (785), and the least were hypermarkets (149). In 2022, the number of

supermarkets increased by 27, hypermarkets by 2 retail outlets, and grocery stores by one retail outlet. The number of small stores increased the most, i.e., by 141 retail outlets. From a methodological point of view, the sample did not include the retail outlets of small artisan stores, and if they were included, the share of small stores and grocery stores would be higher [CCA, 2023].

The total available net commercial surface area in all retail outlets of the surveyed companies amounted to 1.54 million square meters, which is an increase by 31,700 square meters compared to the previous year 2021. In the structure of the retail outlets, supermarkets have the largest share (48 percent), followed by hypermarkets (22 percent), grocery stores (22 percent), and small stores with 8 percent [CCA, 2023].

The following is an analysis of the operations of the ten leading retailers in the retail trade industry according to FINA data (Table 3). In 2022, on a year-over-year level, these leading retailers increased sales revenue by 15.9 percent and market share from 38.9 percent to 39.5 percent, which contributed to further increase in the concentration of leading retailers' market share. Research by the Croatian Competition Agency on a sample of the 45 largest retailers shows a higher concentration of the market share of the leading retailers. In the analyzed sample, the market share of ten leading retailers increased from 83.4 percent in 2020 to 83.5 percent in 2021, and to 86.4 percent in 2022 [CCA, 2022]. The top five retailers account for just under two-thirds of the total mixed goods retail market. The CR5 concentration ratio in 2022 was 66.2 [CCA, 2023]. The difference in the FINA and CCA data can be attributed to coverage. From a methodological point of view, CCA's data include mixed goods sales revenue, mainly food, beverages, and household hygiene products, while FINA data include not only food, but also non-food activities.

“The top ten retailers increased sales revenue by 15.9 percent, margins by 17.9 percent, and profit by 12.5 percent.

In 2022, the gross margin of the ten leading retailers, as the next important indicator in retail trade, increased by 17.9 percent. This means that sales revenue grew faster than the cost of goods sold, which contributes to the increase in profit (12.5 percent). The leading retailers have increased their revenue more than the number of persons employed and therefore labor productivity has increased. In 2022, they employed an additional 1,299 employees. The data also show an increase of 15.1 percent in fixed assets. This indicates the increase of investments in retail stores, warehouses, and logistics.

Table 3

Selected indicators for ten leading companies in retail trade (G47), 2020–2022

	2020	2021	2022	Index 2022/2021
Sales revenue (in billion HRK)	39.0	42.9	49.7	115.9
Share of sales revenue in G47 (in %)	40.2	38.9	39.5	101.5
Cost of goods sold (in billion HRK)	28.8	31.7	36.5	115.1
Gross margin (in billion HRK)	10.2	11.2	13.2	117.9
Staff costs (in billion HRK)	3.6	3.8	4.5	118.4
Profit before tax (in billion HRK)	0.6	1.6	1.8	112.5
Profitability of sales (in %)	1.538	3.730	3.622	97.1
Fixed assets (in billion HRK)	20.2	21.2	24.4	115.1
Stocks of merchandise (in billion HRK)	3.5	3.9	4.9	125.6
Number of persons employed (in thousands)	30,302	39,583	40,882	103.3
Labor productivity (in million HRK)	1.3	1.1	1.2	109.1
Annual mean exchange rate, EUR/HRK	7.533	7.524	7.532	100.1

Notes: The analysis covers the division G47 (retail trade, except of motor vehicles and motorcycles) without G47.3 activity (retail sale of automotive fuel in specialized stores). The leading retailers in that industry are identified in the FINA database according to the amount of sales revenue in 2022. The group of leading retailers includes Konzum plus d.o.o. with headquarters in Zagreb (100 percent domestic capital), Lidl Hrvatska d.o.o. with headquarters in Velika Gorica (100 percent foreign capital), Spar Hrvatska d.o.o. with headquarters in Zagreb (100 percent foreign capital), Plodine d.d. with headquarters in Rijeka (100 percent domestic capital), Kaufland Hrvatska k.d. with headquarters in Zagreb (50 percent foreign capital), Tommy d.o.o. with headquarters in Split (100 percent domestic capital), Studenac d.o.o. from Omiš (100 percent foreign capital), Pevev d.d. with headquarters in Sesvete (2 percent foreign capital), dm-drogerie markt d.o.o. with headquarters in Zagreb (100 percent foreign capital), and Tisak plus d.o.o. from Zagreb (100 percent domestic capital). Gross margin is calculated as the difference between sales revenue and cost of goods sold. Profitability of sales = profit after tax/revenue from sales * 100; labor productivity = business revenue/number of persons employed.

Sources: FINA and author's calculation.

Table 4 shows the results of the leading ten retailers in 2022 individually. In that year, Konzum plus was the leading retailer in terms of sales revenue in Croatia, with sales revenue of HRK 11.9 billion. It was the leading retailer in the City of Zagreb and six counties (Zagreb, Krapina-Zagorje, Varaždin, Karlovac, Lika-Senj, and Osijek-Baranja County), just like the previous year (CCA, 2023). In that year, it had 628 retail outlets (eight more than the previous year) and it increased its sales revenue by 13.7 percent. Despite this, in 2022, in the structure of sales revenue in retail trade (G47), Konzum plus slightly reduced its share from 9.44 percent to 9.42 percent. It led to the reduction of the differences in revenue and market share between the leading retailer and the second-ranked retailer. In 2022, Konzum plus achieved a profit in the amount of HRK 158.8 million, but also reduced the number of persons employed by 1.6 percent compared to 2021.

The second retailer in terms of sales revenue in 2022 was Lidl. In that year, it increased sales revenue by 20.2 percent, fixed assets by 9.5 percent, and the number of persons employed by 8.1 percent. The significant increase in sales revenue can be attributed to the fact that this retailer offers customers a wide range of fresh and quality products in a modern and pleasant space in accessible locations. Lidl has been operating in Croatia

since 2006, and today it has 107 discount outlets and two logistics and distribution centers, and 3,305 persons employed, and has become the second largest retailer in terms of sales revenue.

“The concentration of market share among the leading retailers continues to grow, although the gap between the first and second ranked retailer is shrinking.

Among the leading retailers in fifth place is Kaufland, which with 45 discount outlets increased sales revenue by 12.1 percent, fixed assets by 6.1 percent, and the number of persons employed by 3.4 percent. It had two retail outlets more than the previous year. It achieved profit on the Croatian market. In the structure of sales revenue in retail trade (G47), Lidl increased its share from 5.86 percent to 6.18 percent in 2022, and Kaufland maintained its market share of 3.72 percent. Together they had a share of 9.90 percent, i.e., slightly more than Konzum.

Kaufland and Lidl are members of the Schwarz Group (Schwarz Unternehmenstreuhand KG) from Germany, which is the fourth largest retailer in the world and operates dominantly with a chain of discount outlets. It operates in 33 countries and it has generated 153.754 billion dollars in sales revenue in 2021 and achieved sales revenue increase by 5.5 percent (Deloitte, 2023). Members of the Schwarz Group were leaders in four counties. Lidl is the leading retailer in the Koprivnica-Križevci and Bjelovar-Bilogora counties, while Kaufland is the leading retailer in the Brod-Posavina and Požega-Slavonia counties. The situation has not changed compared to the previous year (CCA, 2023).

Table 4
Selected performance indicators of the ten leading retailers in 2022

	Sales revenue (in billion HRK)	Gross margin (in % of sales revenue)	Profitability of sales (in %)	Debt ratio	Current ratio	Average period of payment of liabilities to suppliers (in days)
Konzum plus	11.9	27.8	1.3	0.858	0.446	48.1
Lidl Hrvatska	7.8	25.7	6.2	0.436	1.133	20.9
Spar Hrvatska	5.7	21.7	0.0	0.769	0.789	38.6
Plodine	5.3	21.1	6.5	0.657	0.891	61.4
Kaufland Hrvatska	4.7	27.9	3.0	0.331	1.272	23.1
Tommy	4.1	27.9	4.0	0.863	0.974	46.6
Studenac	3.1	29.5	-0.2	0.804	1.139	73.5
PeveX	2.8	32.6	12.7	0.293	4.996	12.3
dm-drogerie markt	2.3	36.6	3.3	0.770	1.263	31.2
Tisak plus	2.1	22.0	1.5	0.751	0.731	46.5

Notes: The table covers the division G47 without G47.3 activity (retail sale of automotive fuel in specialized stores). Profitability of sales = net profit after tax/business income * 100; debt ratio = total liabilities/total assets; current ratio = current assets/current liabilities. Average period of payment of liabilities to suppliers = 365/liabilities turnover ratio; liabilities turnover ratio = sales revenue/liabilities to suppliers.

Sources: FINA and author's calculation.

“Several local retailers continue to grow.

Among the top ten retailers in Croatia is Spar Hrvatska, which is part of the Spar Holding AG group from Austria, which was ranked 77th among the 250 largest retailers in the world (Deloitte, 2023). This group operates dominantly with supermarkets in eight countries and, in 2021, it had sales revenue of 14.9 billion dollars, an increase by 4.1 percent compared to the previous year, with a net profit margin of 2 percent (Deloitte, 2023). In 2022, in Croatia, Spar Hrvatska was in third place in terms of sales revenue, which amounted to HRK 5.7 billion, with an increase by 15.1 percent compared to the previous year. This retailer increased fixed assets by 20.7 percent and the number of persons employed by 3.2 percent. In 2022, it achieved a profit in business. Spar has 132 retail outlets across 18 counties and in the City of Zagreb. It is in the second place in the City of Zagreb (CCA, 2023).

Plodine is in fourth place in terms of sales revenue of HRK 5.3 billion. This retailer increased sales revenue by 15.3 percent, fixed assets by 11.0 percent, and the number of persons employed by 5.7 percent. In the observed year of 2022, Plodine was in first place in the native Primorje-Gorski Kotar County as well as in the Istria County, and in second place in two counties: Lika-Senj and Zadar counties (CCA, 2023).

Among the leading retailers are Tommy, Studenac, Pevex, dm-drogerie markt, and Tisak plus. Studenac achieved a large increase in revenue by 33.6 percent with an increase in fixed assets by 22.4 percent, and an increase in employment by 7.7 percent. However, it also recorded a loss in 2022. The growth of Studenac's revenue is the result of the merger of Lonia Trgovina and smaller local retailers (Pemo, Duravit trgovina, and Kordun). Tommy generates the most income and is the leader in Split-Dalmatia County, Šibenik-Knin County, and Zadar County, and is in second place in Dubrovnik-Neretva County (CCA, 2023). In 2022, this retailer achieved a 14.5 percent increase in sales revenue, a 6.9 percent increase in employment, and a 0.8 percent decrease in fixed assets. In 2022, Tommy operated profitably. In 2022, Pevex was in eighth place among the ten largest retailers in this analysis. It had sales revenue increase by 14.3 percent, increase in fixed assets by 20.4 percent, and increase in employment by 4.3 percent, and made a profit. Among the top ten retailers are dm-drogerie markt and Tisak plus. While dm-drogerie markt had double-digit increase in sales revenue, employment, and fixed assets, Tisak plus reduced the number of persons employed [-3.2 percent], but had an increase in revenue by 4.7 percent and a slight increase in fixed assets by 1.7 percent. Both retailers made profit in 2022.

Among the regionally strong retailers is Trgočentar Zabok in Krapina-Zagorje County, Trgovina Krk in Primorje-Gorski Kotar County, which merged with the

MOST LEADING RETAILERS STILL HAVE PROBLEMS WITH DEBT AND MAINTAINING LIQUIDITY.

company Trgostil Donja Stubica within the Čakovečki mlinovi group [CCA, 2023], KTC in Krapina-Zagorje County, Mlin i pekare in Sisak-Moslavina County, Gavranović in Karlovac County, TS Varaždin in Varaždin County, Robin in Koprivnica-Križevci County, PPK Bjelovar in Bjelovar-Bilogora County, and Boso in Vukovar-Srijem County [CCA, 2023]. The increase of revenue of the retailer Eurospin [Italy], which in 2022 had 86 million euros in revenue on the Croatian market, 380 persons employed, but also operated with a loss of 13.3 million euros, is also worth mentioning.

The results of the analysis of the operations of the ten leading retailers in Croatia show that the majority still have a problem with debt and maintaining liquidity. In 2022, the average debt ratio of the top ten retailers was 0.653, while the current ratio was 1.321.² The current assets of the leading retailers [9.9 billion HRK] were smaller than the current liabilities [11.1 billion HRK], so the financial risk associated with the leading retailers is still relatively high. Lidl, Kaufland, and Pevex had a debt ratio of less than 0.5, and the highest debt ratio was recorded for Tommy [0.863], Konzum plus [0.858], and Studenac [0.804]. Leading retailers are trying to partially solve liquidity with short-term financing from suppliers. The higher the debt ratio, the longer the period of payment of liabilities to suppliers [correlation coefficient = 0.733]. Among the leading retailers, Plodine [61.4 days] and Studenac [73.5 days] pay their suppliers the latest, and their average payment period for their liabilities to suppliers is more than 60 days.

² It is generally considered that the company is relatively indebted if the debt ratio is greater than 0.5. The company has a problem with current liquidity if the current ratio is less than 1.5.

Retail trade in the EU and Croatia

The retail trade sector in the EU is important in terms of generating jobs (16.5 million persons employed), entrepreneurship (3.3 million retailers), and revenue. The sector is important for product distribution and population supply. Nowadays it represents a competitive and saturated sector. This is demonstrated by the trend of real turnover in retail trade in the EU-27 (G47 except of motor vehicles and motorcycles, calendar-adjusted indices compared to the same period last year) which decreased in real terms by 2 percent in 2023 compared to the previous year (Eurostat, 2024c). The turnover of food products decreased in real terms by 2.6 percent, and the turnover of non-food products (excluding fuel retail) by 0.9 percent (Eurostat, 2024c). There are significant differences between EU countries. The highest increase in turnover was recorded in Cyprus (6.5 percent) and Luxembourg (5.1 percent). Croatia's largest trade partners recorded negative rates of real turnover in retail trade: Hungary (-7.8 percent), Slovenia (-6.0 percent), Austria (-3.3 percent), Italy (-3.2 percent), and Germany (-3.1 percent).

“Employment in the EU-27 increased by 0.7 percent.

At the same time, retail trade in the EU is recording an increase in employment. Employment in retail trade (G47 except of motor vehicles) increased in the EU-27 by 1.1 percent in 2022 and by 0.7 percent in 2023 compared to the previous year. There are significant differences between EU countries. In 2023, Ireland (7.2 percent), Malta (5.2 percent), Portugal (3.0 percent), and Bulgaria (2.5 percent) recorded the largest increase in employment, while Slovenia and Austria experienced a decrease in employment in retail trade (-0.5 percent and -1.0 percent) (Eurostat, 2024d).

Trends in the retail trade sector in the EU were influenced by high inflation. In 2023, the harmonized index of consumer prices increased by 6.4 percent (9.2 percent in 2022) in the EU-27 and by 5.4 percent in the eurozone countries (Eurostat, 2024b). The highest price increase was recorded in Hungary (17.0 percent), the Czech Republic (12.0 percent), Poland (10.9 percent), Estonia, and Latvia (9.1 percent). Croatia is among the

IN 2023, TURNOVER IN RETAIL TRADE IN THE EU-27 DECREASED BY 2 PERCENT IN REAL TERMS.

countries with a high inflation rate [8.4 percent], that is, higher than the EU-27 average [6.4 percent]. High inflation reduces purchasing power and reduces consumption and turnover in retail trade.

Trends in retail trade in the EU were significantly influenced by economic trends, trends in GDP, and personal consumption as the main factors. In 2023, the real gross domestic product expressed in market prices compared to the previous period increased in the EU-27 by 0.4 percent [Eurostat, 2024a]. At the same time, personal household consumption in the EU-27 countries slightly increased by 0.3 percent, and investments by 1.2 percent. The export of goods and services decreased by 0.5 percent, and the import of goods and services by 1.8 percent. There are significant differences between EU countries. The highest GDP growth was recorded in Malta [5.6 percent], Croatia [2.8 percent], Spain and Cyprus [2.5 percent], and Portugal [2.3 percent]. That year, Croatia was among the countries with the highest year-on-year GDP growth. Croatia's important trading partners had very low GDP growth rates that year [Slovenia 1.6 percent, Italy 0.9 percent] or negative growth rates [Germany -0.3 percent, Austria 0.8 percent, Hungary 0.9 percent].

“Croatia is in the group of countries that have consolidated retail trade.

In order to compare retail trade in Croatia and the EU, we collected Eurostat data on EU companies, such as number of companies, number of persons employed, turnover, cost of goods sold, and productivity [Eurostat, 2024e]. Methodologically speaking, the last available year with a full set of data that can be analyzed for G47 activity [retail trade, except of motor vehicles and motorcycles] is the year 2021. According to the indicator of the number of persons employed per company, Croatia was in the group of countries with a relatively consolidated retail trade. Croatia had almost twice the number of persons employed per company [9] than the EU-27 average [5]. The largest companies [measured by the number of persons employed per company] were in Northern European countries: Denmark [14], Germany [12], Ireland [10], Luxembourg [8], and Austria [8]. Slovenia [8] and the Baltic countries also have consolidated retail trade. Thus, Estonia and

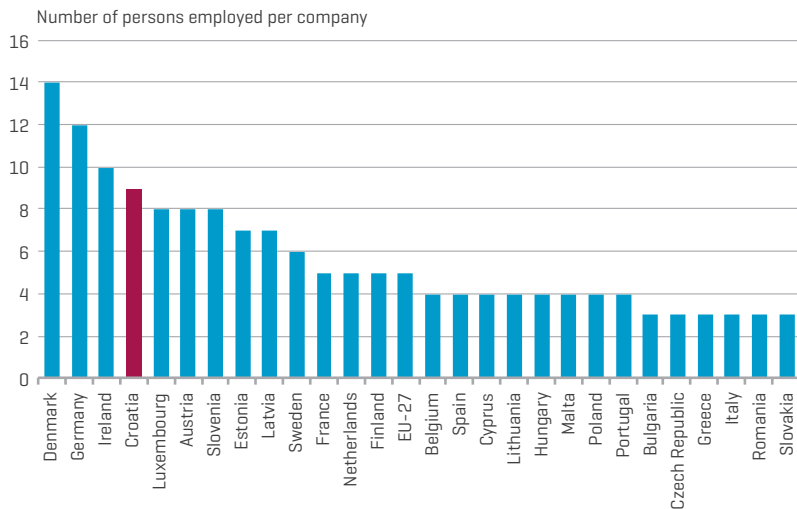
IN THE EU-27, WE STILL HAVE HIGH INFLATION OF 6.4 PERCENT.

Latvia each have 7 persons employed per company, while Sweden has 6, i.e., above the EU-27 average. On the other hand, Mediterranean countries such as Italy [3], Greece [3], Portugal [4], and Spain [4], but also some Central and Eastern European countries such as Slovakia [3], the Czech Republic [3], and Bulgaria [3], had a more fragmented retail structure with a larger share of companies employing a smaller number of persons employed [Figure 4].

Figure 4
Number of persons employed per company in the EU-27 in 2021

Note: G47 activity (retail trade, except of motor vehicles and motorcycles).

Source: Eurostat (2024e).



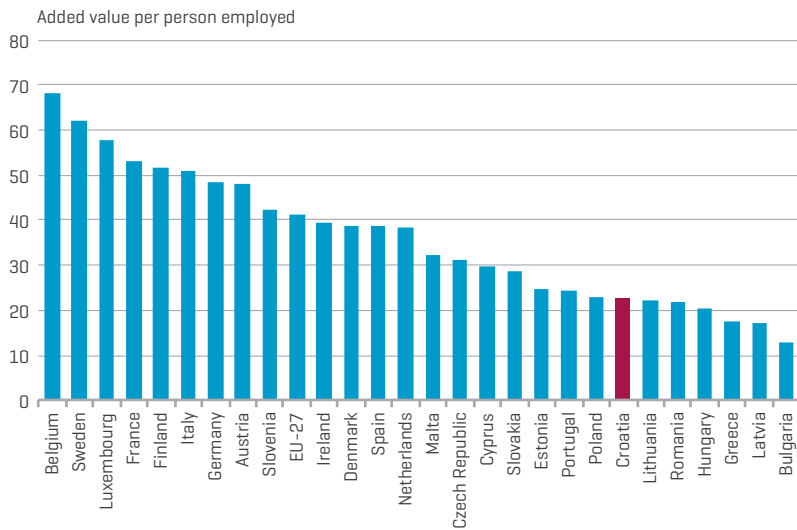
“Croatian retail trade operates with low margins, i.e., lower than the EU-27 average.”

If the efficiency of Croatian retail trade is analyzed, Croatia is significantly behind the EU-27. Labor productivity (measured as gross value added in retail trade per person employed) is lower by 45.8 percent compared to the EU-27 average. Belgium, Sweden, and Luxembourg have the highest labor productivity (Figure 5), while Croatia belongs to the group of countries with the lowest labor productivity. According to the indicator of turnover per person employed in thousands of euros, Croatia is also behind the EU-27 average by 31.5 percent. This is due to low purchasing power and low consumption in Croatia compared to developed EU countries.

CROATIAN RETAIL TRADE IS BEHIND THE EU AVERAGE IN PERFORMANCE INDICATORS.

Figure 5
Gross value added in retail trade per person employed in the EU-27 in 2021, in thousands of euros

Source: Eurostat [2024e].



On average, the Croatian retail trade operates with margins that are lower than the EU-27 average. A comparison was made of gross margins expressed as sales revenue minus the cost of goods sold in the EU-27 countries (Figure 6). It is an important indicator of performance in the retail trade, because it shows how much profit the retailer makes from sales, if procurement costs are deducted. In 2021, the share of gross margin in Croatia was 15.3 percent, while the EU average was 18.8 percent (Figure 6). The largest share of margins was recorded in Ireland, Germany, the Netherlands, Belgium, Austria, and France. These countries had a higher share of margins than the EU-27 average. Profitability of sales in Croatia [7 percent] was around the EU-27 average [7.5 percent], i.e., lower than retail sale in the Netherlands [10.0 percent], Germany [9.8 percent], and Belgium [9.1 percent].

Croatia has lower wages in retail trade compared to the EU-27 average (Figure 7). In 2021, average staff costs per person employed were 35.1 percent lower than the EU average. Wages in Croatia are not motivating enough to attract employees and experts, and to increase labor productivity.

CROATIA HAS LOWER WAGES IN RETAIL TRADE BY 35.1 PERCENT COMPARED TO THE EU-27 AVERAGE.

Figure 6
Gross margins in the EU-27, expressed as a percentage of realized turnover in 2021

Source: Eurostat (2024e).

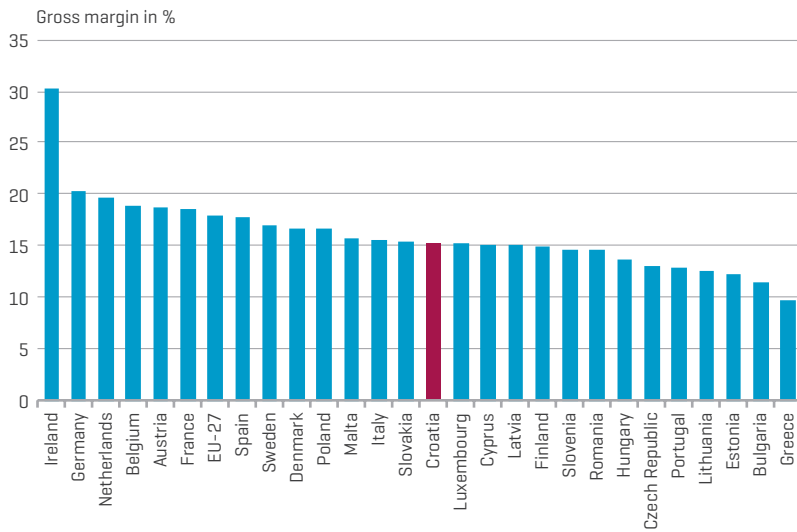
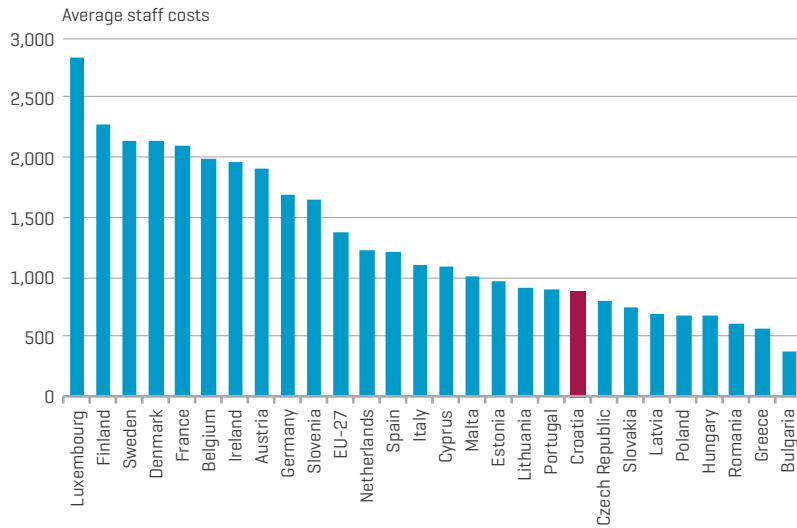


Figure 7
Average monthly staff costs per person employed in retail trade in 2021, in euros

Source: Eurostat (2024c).



Expectations

“The European Commission forecasts a mild GDP growth by 2.6 percent in Croatia in 2024 and an easing of inflationary pressures (price increase by 2.5 percent).

— This chapter describes the projections of macroeconomic trends by the European Commission, the European Central Bank, and the Croatian National Bank. From a methodological point of view, indicators that have the greatest impact on trends in retail trade, are used. The presentation of the projections is given in Table 5.

In 2024 and 2025, a slight recovery of the economy and a slowdown in price increase are forecast. The European Commission forecasts GDP growth for Croatia by 2.6 percent in 2024 and 2.8 percent in 2025. At the same time, price increase by 2.5 percent in 2024 and 2.0 percent in 2025 is predicted.

Table 5
Expected trends in the macroeconomic environment in Croatia and the EU, projections

	2024	2025
Croatia		
Gross domestic product, real (percentage change)*	2.6	2.8
Gross domestic product, real (percentage change)**	3.2	2.8
Personal consumption***	4.4	2.8
Harmonized index of consumer prices – HICP (percentage change)*	2.5	2.0
HICP***	3.5	2.4
Unemployment rate***	6.0	5.7
Increase in the number of persons employed***	1.8	1.5
Real gross wages (% change)***	5.0	2.0
EU		
Gross domestic product, real (percentage change)*	0.9	1.7
Gross domestic product, eurozone**	0.8	1.5
Harmonized index of consumer prices (percentage change)*	3.0	2.5
HICP, eurozone**	2.7	2.1
Employment**	0.4	0.4
Unemployment rate**	6.6	6.5

Sources: * European Commission (2024); ** European Central Bank (2024); *** CNB (2024b).

THERE ARE SEVERAL RISKS IN THE ENVIRONMENT THAT NEGATIVELY AFFECT GROWTH AND INFLATION, INCLUDING THE WAR IN UKRAINE AND GEOPOLITICAL TENSIONS BETWEEN THE US, THE EU, AND CHINA.

Positive trends in the labor market are also forecast in terms of increase in the number of employees, unemployment, and wage increases. All of these factors, if realized, should have a positive impact on retail turnover. Therefore, we can also forecast mild real growth rates in retail turnover in Croatia.

“ Positive trends in the labor market, which should have a positive effect on retail trade turnover, are expected.

A survey conducted by Deloitte [2024] provides expectations for the next period for 200 leading retailers, i.e., 50 from North America, 100 from Europe, and 50 from the rest of the world [Deloitte, 2024]. Although these expectations do not directly concern Croatia, the results are indicative due to Croatia's networking and involvement in global trends. The majority of managers surveyed [68 percent of managers in the US and 67 percent in Europe] forecast retail trade growth by 1 to 4 percent and believe that margins should increase significantly in 2024.

“ In the EU-27, GDP growth by 0.9 percent in 2024 and 1.7 percent in 2025 is expected.

Although projections suggest that there will be a gradual recovery of the economy in the coming years, it is too early to talk about a quick transition to sustainable and stable economic growth, due to factors that can negatively affect trends. We should take into account the slow recovery of the European economy and the main foreign trade partners, which can slow down growth in Croatia. Thus, the European Commission and the European Central Bank forecast slow real GDP growth (0.9 percent and 1.7 percent in 2024 and 2025) and a slight increase in employment in those years [European Commission, 2024; European Central Bank, 2024].

The risks for global inflation and economic growth are still highly emphasized, and are mainly related to the possible escalation of the conflict in the Middle East and the war in Ukraine, as well as disruptions in the Red Sea, which could further increase uncertainty and trigger a new increase in the prices of energy and other raw materials [CNB, 2024b]. There are also possible risks of oil and food prices increase with additional pressure on inflation, as well as tensions between the US, the EU, and China with pressure on global supply chains.

Conclusion and recommendations

“The year 2023 was marked by the gradual recovery of the economy and the easing of inflationary pressures, which was reflected in consumption and turnover in retail trade.

“Due to all factors in the environment, the concentration of market share among the leading retailers continues to grow, but the difference between the leading and other large retailers is decreasing.

—The year 2023 will continue to be remembered for the high rate of inflation in EU countries, the continuation of the war in Ukraine, but also signs of economic recovery, which was reflected in retail trade trends. Real turnover in retail trade increased by 3.7 percent, which is the largest increase since 2019. Increase in turnover was achieved nominally by all trade professions. Increase in turnover made it possible to create new jobs in the retail trade [1.4 percent]. At the same time, strong competition and market consolidation lead to a further decrease in the number of retailers [-4.1 percent]. Although retail wages have increased, they are low compared to the economy and are not motivating enough to attract talent and experts to the sector and have a negative impact on service and satisfaction. Almost two-thirds of the persons employed in the retail trade are women, who are paid less than men, who are more employed in jobs in the wholesale trade.

Available statistical data show that in 2023, Croatia achieved GDP growth by 2.8 percent, household consumption by 3.1 percent, government consumption by 2.8 percent, and gross investment by 4.2 percent, which had a positive impact on the increase in turnover in retail trade. Demand was positively influenced by trends in the labor market, i.e., reduction in unemployment, increase in net wages, and trends in tourism [increase in the number of tourists and overnight stays]. Although inflationary pressures slowed down in 2023, inflation is still high [8.0 percent], and the increase in prices of food and non-alcoholic beverages is particularly high [12.7 percent], which in turn reduces the purchasing power of consumers. The confidence and expectations indices improved, while sentiment and expectations indices related to the purchase of durable household goods deteriorated, which negatively affects turnover.

In the analyzed year, the largest companies achieved increase in turnover, which influenced further increase in the concentration of market share among leading retailers. At the same time, the difference between the leading retailer [Konzum plus] and the second ranked retailer [Lidl] is

decreasing. We can also talk about a relatively stable structure of turnover, considering that the most turnover in Croatia is realized in the City of Zagreb [17.3 percent], and according to the type of retail stores in supermarkets [51.5 percent] and hypermarkets [20.4 percent]. Although there has been an improvement, the results of the analysis of the operations of the ten leading retailers in Croatia show that the majority still have problems with debt and maintaining liquidity.

In 2023, in the EU-27, the turnover in the G47 activity decreased by 2 percent in real terms compared to the previous year, with the turnover of food products decreasing in real terms by 2.6 percent, and the turnover of non-food products [excluding fuel retail] by 0.9 percent. At the same time, retail trade in the EU is recording an increase in employment. Inflation is still high in the EU, although there are considerable differences between EU countries. Compared to EU countries, Croatia is in the group of countries that have a consolidated retail trade, with a higher number of persons employed per retailer. On the other hand, according to most performance indicators, it is still behind the EU average. It is behind the EU average in terms of labor productivity, wages in retail trade, and margins, all of which hinder the development of retail trade.

“In the coming years, retailers need to keep inflation under control, increase resilience in supply chains, increase business sustainability, and increase the use of modern technologies and offer a greater shopping experience in stores.

The year 2024 is still very uncertain due to the possible escalation of the conflict in the Middle East and the war in Ukraine, as well as disruptions in the Red Sea, which could further increase uncertainty and trigger a new increase in the prices of energy and other raw materials. There are also possible risks of oil and food prices increase with additional pressure on inflation, as well as tensions between the US, the EU, and China with pressure on global supply chains.

However, it is too early to talk about a quick transition from crisis and possible crisis to sustainable and stable economic growth, but it is safer to say that we can talk about a gradual recovery of the economy and trade in the coming years. In 2024 and 2025, a slight recovery of the economy and a slowdown in price increase are forecast. When it comes to Croatia, the European Commission forecasts GDP growth by 2.6 percent in 2024 and 2.8 percent in 2025, as well as an increase in prices by 2.5 percent in 2024 and 2.0 percent in 2025. These trends, along with the expected positive trends in the labor market in terms of increase in the number of persons employed, unemployment, and wage increase, should have a positive effect on turnover in retail trade, increase in employment, and wages.

In the coming period, retailers should adapt to the new situation and base their further development accordingly, and foreign experiences can be of great benefit to them. A survey by Deloitte [2024] suggests that managers

TRENDS IN 2024 ARE STILL UNCERTAIN.

at the world's major retailers are optimistic about turnover and margin trends in 2024. The main priorities in the business of retailers are to keep inflationary pressures under control (30 percent), increase "resilience" in supply chains (23 percent), increase business sustainability (22 percent), increase market share (22 percent), increase profit margins (20 percent), be more flexible in adapting to new consumer demands (19 percent), acquire new consumers to increase revenues (18 percent), hire new talented employees (14 percent), and increase business volume through acquisitions (14 percent). McKinsey & Company's analysis similarly suggests that retailers should invest in business sustainability, digitization, and strengthening of staff skills and capabilities [McKinsey & Company, 2022].

In the current environment, the leading priority relates to the containment of inflationary pressures. Uncertainty regarding inflation and consumer behavior is still high because there are still geopolitical tensions that increase uncertainty. Many consumers have adapted to the price increase by choosing cheaper retailers and cheaper brands of products, and by choosing store brands, which will continue this year. Therefore, in the current situation, price competitiveness is the leading factor in revenue growth in relation to brand loyalty or business sustainability [Deloitte, 2024].

One of the problems that retailers will face is the lack of labor force due to population aging, emigration, and slowing birth rates, which encourages retailers to seek alternative sources of labor force and retraining existing employees [McKinsey & Company, 2022; Deloitte, 2024]. In addition, retailers will be motivated to invest more in automation and technology that can replace labor force and increase productivity. A particular problem is the lack of talented professionals in the store, which motivates retailers to retain existing professionals [Deloitte, 2024].

Retailers should monitor changes in consumer preferences and adapt quickly to them. One of the important trends relates to health, healthy eating, and leading a healthy lifestyle. Consumers will be older, fatter,

multicultural, mobile, adept at using new technologies, and will have higher expectations, especially regarding health and a healthy lifestyle [Deloitte, 2024]. This is a trend in developed countries, but it is becoming increasingly popular in Croatia as well.

Combining multiple sales channels, including online and mobile device sales, is nowadays an important success factor [Deloitte, 2023]. It is important to provide customers with applications that allow them to quickly and easily seek advice, compare prices, search for reviews, look for inspiration on social networks, check product availability, and easily buy the desired product. The channel of sales through social networks is also increasingly important, because in this way it is possible to access a larger number of customers and achieve sales growth [Deloitte, 2023]. Recommendations related to the resilience of supply chains include diversifying existing suppliers while taking into account the current geopolitical tensions in the world between the US, the EU, and China. A key role in increasing the efficiency of supply chains is played by cooperation with partners, data sharing, and more efficient forecasting of demand and operations [Deloitte, 2024].

The introduction of new technology and new services can contribute to improving the shopping experience. Services that increase personalization, including an active seller involvement service, can help differentiate traditional stores from online ones. Traditional food and convenience stores will continue to grow and develop because people need groceries, but these stores will need to offer greater shopping experiences, where consumers can not only see, but also experience and taste the products. Retail stores will also need to become safer for shopping in terms of a more flexible return policy and faster and safer collection of goods by introducing more self-service checkouts. Artificial intelligence can be used to increase business efficiency and personalize offers and marketing messages [Deloitte, 2024].

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