European Foundation for the Improvement of Living and Working Conditions

EMCC case studies

Commerce cluster in Warsaw, Poland

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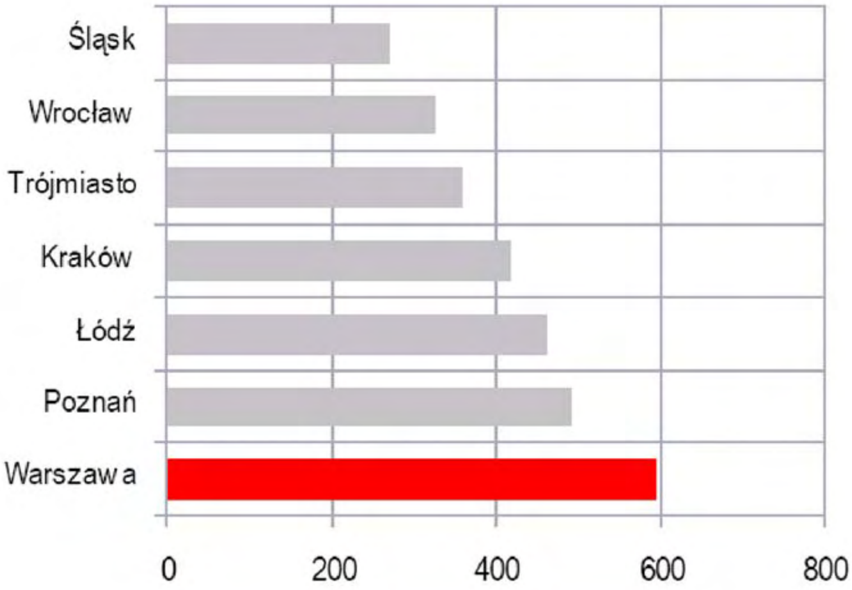
Introduction

The main pillars of the economy of Warsaw are commerce and services. The economy of greater Warsaw produces approximately 15,000 euro per inhabitant, thus accounting for more than 12% of Poland's GDP. The total population of Warsaw is 1,700,536 inhabitants (as of 30 June 2006), while the total population of greater Warsaw with its suburbs is approximately 3,000,000 inhabitants. The level of unemployment in Warsaw does not exceed 5%.[1]

The supply of modern commerce space in Warsaw exceeds 1 million square metres in 30 commercial centres. All types of commercial centres exist: hypermarkets with service galleries, big commercial and discount centres and commercial parks.[2,3]

Figure 1: *Retail density in Poland (m2 per 1,000 inhabitants)*



Source: *Warsaw City Report, Jones Lang LaSalle, March 2007, p. 9.*

As of the spring of 2007, developers' activities have slightly decreased. This is due to constraints of spatial plans imposed on the commercial centres, relatively strong competition among already existing centres and a relatively high level of saturation of the commercial market in Warsaw. This concerns both in-town and out-of-town commercial centres. In the first half of 2007, only one commercial centre was opened: Złote Tarasy, with a total commercial area of 64,000 square metres in the very centre of Warsaw (the Śródmieście district). Three others are to be opened in the near future: Centrum Familijne in the Ursus-Skorosze district, Hala Koszyki (in the Śródmieście district) and Zielony Park (an extension of the Targówek Commercial Centre). In a four-year perspective, the following commercial centres are to be operational: the Fashion House Piaseczno Phase III, a commercial complex in Łomianki, and the City of Wilanów Commercial Centre (in the newly constructed City of Wilanów residential area).

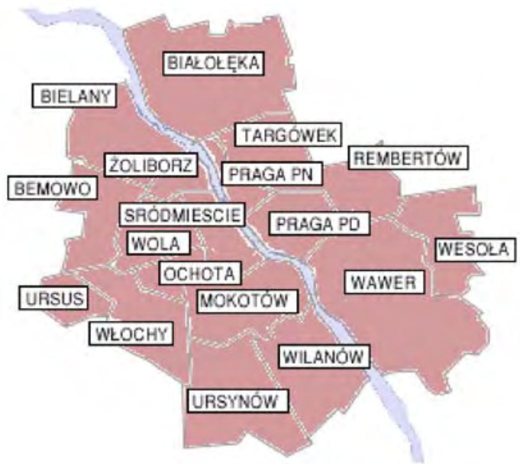
[1] Based on the information from the Warsaw City Hall website (**http://um.warszawa.pl/index.php**; 30 May 2007).

[2] Based on the information from the Warsaw City Report, Jones Lang LaSalle, March 2007 (**http://www.joneslanglasalle.pl/en-gb/research/researchabstract?artid=2786**; 16.05.2007).

[3] A commercial park is a gathering of shops in one area, whereas a commercial centre is a gathering of shops located under one roof.

The opening of Złote Tarasy resulted in the introduction of many new brands to Warsaw, such as MAC, Body Shop and Next, managed by the Alshaya Group, Bershka, and Pull & Bear, Stradivarius and Oysho, managed by the Inditex Group. Some new restaurants or chain cafés have already opened their Polish branches or are planning to do so, including Costa Coffee, Starbucks, Hard Rock Café and Burger King. The following map of Warsaw and its districts shows the geographic location of the above-mentioned commercial areas.

Figure 2: *Warsaw Districts*



Source: *Warsaw City Hall website.*

Strategies for outlet location in Warsaw

The characteristics of a good location for commerce outlets include the following (but depend on the strategy of the firms):

- easy access with private transportation, and sometimes with public/organised transportation;
- available parking space, whether free (preferred) or paid, is a must in order to ensure that clients come to the centre;
- crossroad or proximity of important connecting roads to ensure that there are many commuters on the way to or from work;
- proximity of smaller villages and towns which can also attract clients; in the case of the Janki commercial centre, only 20% of the clients are from Warsaw and the remaining 80% are from outside Warsaw;
- possibility of further expansion (one of the advantages of out-of-town shopping centres is the possibility of acquiring more land to expand for new projects, as is happening at the Domoteka shopping centre in Targówek);
- land for commercial construction is cheaper outside the city centre than in the city centre;
- since the cities lack spatial plans, it is sometimes easier to obtain a plot in the suburban areas right outside the city borders, where the spatial plan has been decided upon and is valid and the commercial centre or park can be constructed;

- knowledge of the spatial plans and planned developments of the area to estimate the development perspectives of the area;
- plans for constructing new housing and development of residential areas; this is the case in the Targówek commercial centre, where the development is stimulated by the development of residential areas in the neighbourhood;
- presence of similar types of stores; stores are likely to attract customers of other shops nearby. Strategic decisions inform location: one shop (Conforama) always follows its most important competitor (IKEA); this decision about localisation, or rather, strategy of localisation, has been taken at the group level and is followed in all countries where Conforama opens its stores. The success of the first store, very often one of the so-called 'anchor stores', such as IKEA or Macro Cash & Carry, encourages other companies to open their stores in the same area.

The first step in the emergence of commercial centres is for 'anchor stores' to be implemented in the area. These are stores that will attract the biggest number of clients who have already decided on a purchase. The next step for centre development is the appearance of different services, i.e. repair, wholesale units and logistics centres.

Impact of regulations on the choice of locations

Local spatial plans

The biggest problem for developers at the moment is a lack of updated spatial plans. These plans have the form of a legally binding decision and are based on a 'Study of conditions and directions of spatial development'. At the beginning of 2004, all plans previously in force expired and new ones have not been worked out and approved. This situation halted some of the investments. As of spring 2007, only approximately 15% of the Warsaw city area is covered with a valid spatial plan. It is not clear at what stage of investment such a plan is necessary: according to some interpretations, it is only when an investor wants to construct a building bigger than 2,000 square metres. All interviewees agreed that the spatial plan is the main document that has an impact on the location of the commercial centre; lack of a spatial plan usually makes starting construction of the commercial centre difficult or even impossible.

The process of 'legal preparation' of the plot for future construction starts at the level of local authorities: it is a very important stage, since if the commercial function of the plot is not written into the spatial plans, it is impossible to build any commercial premises. The second stage is the social consultation, which is necessary in order to accept the commercial function of the plot in question. The third step is the signing of the agreement and contract with the local authorities; this agreement always includes 'public goals', such as constructing a public utility area or modernising the road system around the future shopping area. Such a public goal is usually very expensive and therefore there are serious and thorough negotiations between the developer and local authorities.[4] This observation is confirmed by a member of the Board of Directors of the Commercial Centre Targówek[5]: in the commercial park that is presently being constructed at the premises of Targówek, the roofs will be covered with grass and there will be other 'green spots' in order to comply with the local spatial plan, according to which 50% of the area is to be a 'green area'.

[4] http://www.eurofirma.pl/index.php?symbol=magazyn.htm&idkat=19&show=75 (27.05.2007).

[5] For more details on the Targówek, see Annex 1, Case 2.

Decisions of local authorities

In some cities, there are regulations concerning the design and construction standards of a commercial centre. For example, in Lublin and Szczecin, the decision-makers decided that commercial centres have to have thick, concrete walls and construction of buildings out of sheet metal is prohibited. There are no regulations of this kind in Warsaw.

Regulation on large stores

According to this proposed legislation, the construction of a store greater than 400 square metres would require official approval and each square metre will cost PLN 25 (approximately 6.41 euro), although total payment cannot exceed 0.5% of the total investment value. These are significant costs; for example, big commercial centres such as Arkadia in Warsaw or Manufaktura in Łódź, which have 110,000 square metres of commercial area, would have to pay PLN 2.75 million (approximately 705,000 euro). Moreover, the legislation stipulates that construction of a store between 400 and 2,000 square metres would require not only the approval of local authorities, but also of the provincial authorities.

This law was adopted on 11 May 2007 by the Parliament and was sent to the Senate for its approval. Experts from the Office of the Committee for European Integration (UKIE) and the Central Office for Parliamentary Analysis are convinced that this law is against EU regulations. When the law was passed in the Parliament, independent experts claimed it should be taken to the Constitutional Tribunal to be abolished, as it violates EU law. This law is promoted and supported by a far-right conservative party.

On 28 May 2007, representatives of the biggest Polish and foreign supermarkets (Tesco, Carrefour, Leclerc, Polomarket, Alma Market and Piotr i Paweł) sent their petition to the Senate to ask for the rejection of this law. The supermarket representatives believe that this law will paralyse not only the construction and operation of supermarkets and commercial centres, but also the functioning of any other type of store requiring large floor areas, such as car dealers and furniture stores, sport equipment stores, construction materials stores, etc. This petition follows the petition of the Polish Council of Commercial Centres.

Regulation on prohibition of commerce activity on Sundays

There is also proposed legislation on the prohibition of commercial activity on Sundays. This prohibition is likely to concern big stores only (stores bigger than 300 square metres). So far, this law has not been passed, and where Sunday commercial activity is prohibited in some cities, this is a result of regulation from the local authorities.

Protest actions

There are two main types of protest actions: protests by ecological organisations and by inhabitants of the concerned areas. The Friendly Cities' Association (*Stowarzyszenie, 'Przyjazne Miasta'*) protests succeeded in delaying construction of the Arkadia Commercial Centre and the Złote Tarasy Commercial Centre by two years. The protests were stopped when PLN 2 million (approximately 513,000 euro) was transferred to the bank account of this association. Another PLN 200,000 (approximately 52,000 euro) was paid to the association as a fee for designing a greenery arrangement at the Arkadia premises. It is important to note that organisations of this kind have a right to block decisions about commercial centre construction and they are often important players in the decision-making process. Protests byinhabitants of the areas where a commercial centre is to be constructed are quite frequent. These protests are especially effective before local authority elections.

As a general remark, it can be stated that there are significant differences between domestic and foreign-owned markets in their approach to legislative regulations. The Polish representatives of the retailing sector are in favour of introducing appropriate regulations and they are supported in their attempts by local authorities and trade unions. Foreign capital representatives, on the other hand, would like to see the smallest number of regulations possible and would like to operate in a liberal environment.

Employment conditions and supply of skilled workers

Data concerning employment statistics in the retailing sector is not available. In 2003, when the project of limiting or abolishing commercial activity on Sundays was first presented for public debate, employers argued that it would result in employment cuts of approximately 10% to 15% of total employment. At the same time, the Polish Commerce and Distribution Organisation (*Polska Organisacja Handlu i Dystrybucji*, *POHiD*) estimated possible employment cuts of 15,000 employees, approximately 11.5% of total employment, which is estimated at 130,000.

Remuneration

Remuneration in the commerce and repair sector is lower when compared with the economy as a whole. In 2005, the average monthly pay in this sector was estimated at PLN 1,941 (approximately 510 euro) and this constituted 85% of the overall average monthly pay in Poland. There are significant differences between the average monthly pay in the public and private commerce sectors: in the public sector, the average monthly pay is PLN 2,783 (approximately 732 euro) and is higher than the average monthly pay in the economy; in the private sector, the average monthly pay is PLN 1,929 (approximately 507 euro). The private sector accounts for 99% of employment in the commerce sector. Salaries are higher in the public sector because this sector is more 'official' and there is often a high representation of trade union organisations, as in the case of the large cooperative 'Społem'.

Employment contracts

The majority of respondents stated that fixed-term employment contracts (lasting one to five years) are the most often-used forms of contracts. A variety of fringe benefits is available to employees: fitness club membership cards, holiday allowance, private medical insurance, bonuses, etc.[6] However, it has to be stated that the Polish economy up to now has been facing the challenge of a high unemployment level. The unemployment rate is much lower in Warsaw compared to rest of Poland. As a consequence, employers are able to dictate conditions of work favourable for them in most areas of Poland and employees are often forced to accept worse conditions of work and pay. In Warsaw, there are signs of change because the unemployment rate there is lower due to emigration and economic development. This picture is also true for people employed in the retail sector. The most common violations are extensive overtime, working without an employment contract, failure to pay salaries regularly or failure to pay overtime.[7]

The most recent problem reported by all interviewees was the problems of attracting employees due to an intensive migration of young Poles to the UK and Ireland. [8]

[6] R. Towalski, J. Czarzasty, *Barriers and opportunities for trade union representation in the retail sector*, The Frierich Ebert Foundation, Warsaw, 2006, pp. 15–14.

[7] Przestrzeganie praw pracowniczych i 'szara strefa' w zatrudnieniu. Związki zawodowe w przedsiębiorstwach, CBOS, Warszawa, 2005.

[8] It is very hard to estimate how many young people have left Warsaw for the UK or Ireland. The Ministry of Labour estimates recent migration to be between 600,000 and 1,000,000 people – no differentiation according to age is made here. The lack of precise and reliable data is due to the fact that the statistical data does not take into account multiple trips by the same person.

Role of the social partners

Industrial relations in the retailing sector are characterised by the following features:

- social partner representation is weak at the sector level;
- there are many obstacles to trade union representation development;
- the conditions of work are hard and unfavourable.

At the same time, there are also positive elements: there is an expansion of trade union activity in the large retail outlet sector, and the first attempts aimed at forming employers' federations are being made. Weak points are, among others, the absence of trade unions at the enterprise level and a lack of awareness about the role and rights of trade unions and employees. Equally, employees in the retail sector are not aware of the importance of the employers' federations; moreover, very often they recognise the supervisor or management of the store, rather than the owners, as their employer.[9]

Available research data show that trade unions are not only absent in retail stores, but also that employees are not aware of what role trade unions can play. While discussing the issue of employees' representation and social dialogue, employees' awareness remains rather limited; they sometimes realise that they are a part of a bigger unit (the group) and that it could work to their benefit to get organised at the level of the group or the sector.[10]

Trade unions in the retail sector

The two biggest Polish trade unions – NSZZ 'Solidarność'[11] and OPZZ – have been attempting to attract members from the private retail stores. Their main goal is to draw up agreements with super- and hypermarkets, as these usually employ between 200 to 400 people. Additionally, it is relatively easy to establish contacts with super- and hypermarket employees and they have similar needs concerning the improvement of working conditions.

In one of the researched chain retail stores where trade unions are present, the cooperation agreement was signed with the management representatives. In this agreement, the conditions for trade union activity were defined. Negotiations on different topics are conducted on the basis of this agreement and outcomes of these negotiations may become starting points for achieving collective agreements.

Employees perceive trade unions from a dual perspective: a historical one (referring back to communist times and their role as a political power) and a strategic one (referring to the functions and goals of trade unions). The second perspective is a very vague one. Trade union representatives complain that sometimes their attempts to set up a union structure at the enterprises are not welcomed by management.

[9] R. Towalski, J. Czarzasty, op. cit., p. 15.

[10] Ibid., p. 18; Opinie o dialogu społecznym i wprowadzaniu rad pracowniczych, COC, Warszawa, 2004.

[11] NSZZ 'Solidarność' estimates that it has 900,000 members. The data on the OPZZ membership is not known. There is no data available on the penetration of the two trade unions in Warsaw. Also, trade union penetration does not depend on the size of the city, but rather on the branch of economy. There are certain branches where membership levels are quite high, e.g. energy, coal-mining and railways.

At present, the main factors stimulating the emergence of trade unions in the retail stores are abuses of employee rights and the hard conditions of work. Employees see the role of trade unions as checking labour law compliance, especially in relation to working time and overtime, discrimination and 'mobbing', employee protection in case of collective dismissals and ensuring decent salary levels. They also believe that trade unions can provide employees with counselling (legal, psychological, professional), both in relation to their private lives and their professional career.

Employer organisations in the retail sector

A general observation is that on the employers' side it is very hard to find powerful, representative organisations. Polish and foreign employers have very different interests, sometimes even clashing ones.

There is a branch professional employer organisation – the Polish Organisation for Trade and Distribution (*Polska Organisacja Handlu i Dystrybucji, POHiD*) – that is a member of the biggest organisation for the Polish private employers, the Polish Confederation of Private Employers, 'Lewiatan'. POHiD was established in 2000 and at the moment has 15 members. One of the criteria for joining the organisation is a minimum commercial area of at least 2,000 square metres. The biggest challenge for employer organisations is working out a common position, since members of these organisations are in fact competitors in the market.

Other employer organisations are:

- the National Association of Trade and Services (*Naczelna Rada Zrzeszeń Handlu i Usług, NRZHiU*);
- the Polish Chamber of Commerce, Services and Producers (*Polska Izba Handlu, Usług i Producentów Rynkowych*);
- Union of the Polish Retail Networks (*Unia Polskich Sieci Detalicznych*);
- the Polish Council of Shopping Centres (*Polska Rada Centrów Handlowych*).

Due to a growing number of temporary workers in the retail sector, the importance of two other organisations has grown recently: the Union of Temporary Work Agencies (*Związek Pracy Tymczasowej, ZAPT*) and the Association of Employment Agencies (*Stowarzyszenie Agencji Zatrudnienia, SAZ*).[12]

It is important to stress that in the Warsaw area (and in Poland in general), there is no tradition of cooperation between different players from the retail sector. There is a lot of reluctance to share information and to collaborate. The market is still very competitive. A Jones Lang LaSalle representative stated that they had to use 'quasi-spy' methods to get market information in order to prepare reports that in western European countries are available to all interested parties.[13]

[12] R. Towalski, J. Czarzasty, op. cit., pp. 15–24.

[13] Interview with Ms Patrycja Dzikowska, Senior Market Analyst, Jones Lang LaSalle, Warsaw, 7 May 2007.

Development prospects of commercial centres

According to research conducted by PriceWaterhouseCoopers, the best opportunities for growth and positive development exist in 'new generation' commercial centres offering extensive recreational and family entertainment services beside shopping opportunities, smaller supermarkets and discount stores, as the demand for large hypermarkets is already saturated, especially in the big cities.[14] Smaller cities and towns remain potential areas for investment; in such cases, competition with local stores will be inevitable, and sometimes such investment may not bring the expected return on investment.

Smaller stores

As a result of the above-mentioned trends and problems with finding appropriate locations for new stores, even big stores have changed their strategy of expansion. At present, they tend to open smaller stores. For example, Tesco has stated that by the end of 2007 it will open a dozen or so Tesco Express units of 200 to 250 square metres per shop. Carrefour has decided to develop a franchising network of small shops of 80 square metres per shop.

Consolidation

Another trend is an intensive process of consolidation, i.e. mergers and takeovers of existing stores and companies. Market analysts predict that mergers and acquisitions in the commerce sector are perceived as the only strategy to strengthen market position.

Wide variety of products and services

As it has been stated before, new generation shopping centres are described as 'consumption chapels' or 'all-in-one shops'. They have shopping, entertainment, business centres and cultural facilities. Intensive development is possible for services such as dentist offices and walk-in clinics as well as child care facilities. Additionally, in the future, Poland may experience a boom in new types of commercial centres: centres that sell old collections at lower prices, or outlets selling the surplus stock from brand/fashion collections. Another future characteristic will be bigger 'walking areas', where events such as exhibitions or shows will be organised.

Profiling of commercial centres

A clearly visible future trend is a greater degree of specialisation of different centres, as well as the emergence of more expensive luxury brand stores in the centres. The Targówek centre is an example of a 'profiled' commercial centre, as the stores there carry mainly furniture and interior design products. It is said that different shops of a similar profile can profit from neighbouring locations – more clients come in search of similar products – as well as from the fact that there are new residential areas being created and people will have to buy materials to finish their houses and furniture their houses.

[14] In 2006, there were six hypermarkets per 1 million Poles, while in 2005 there were 5.3 hypermarkets per 1 million Poles, according to *The Commercial Real Estate in Poland*, Warsaw, PWC, 2004 (**http://www.polandbusinessnetwork.pl/files/reports/PricewaterhouseCoopers_The_Commercial_Real_Estate_Market_in_Poland_Nov%202004.pdf**), 27 May 2007.

Future commercial centres

A third commercial centre in the Łomianki area, north of Warsaw on the exit road to Gdańsk, may emerge in time. One interviewee stated that from a five-year perspective, this is the only commercial centre that has a chance to emerge and it will be totally independent from the influence of other commercial centres. A potential future investor (Auchan) has already purchased a plot there. The two researched commercial centres (Janki and Targówek) are the only commercial centres located around roads leading to the city centre. One interviewee indicated that a lack of good-quality roads, highways and bypasses hinders the development of commercial centres and decisions on future investment.

Conclusions

A number of conclusions can be drawn from this study.

- In Warsaw, in-town, specialised or profiled shopping centres are more likely to appear in the future than out-of-town commercial centres.
- The entertainment role of commercial centres is growing: they are perceived as leisure activity places where families can spend time together. The more facilities of this kind, the bigger the success of the commercial centre.
- Clients have higher expectations of commercial entities located at the commercial centre. They expect the presence of certain brands, shops and services and a higher level of assistance from staff.
- The location of commercial centres is mainly driven by valid spatial plans with a clear development plan of a given area, prices of the plot and its proximity to main highways leading in and out of Warsaw, which guarantee easy access and an increased number of commuters.
- At present, one of the biggest challenges is the ability to employ the appropriate number of employees with the required skills. Recent migration has significantly reduced available young people, and therefore employers have turned to employing 40- to 50-year-olds.
- There is hardly any cooperation between the centre management, retailers renting stores at the premises and external organisations. If there are some common actions involving all retail companies, it mainly concerns the tackling of common problems like cleaning and transport.
- In the private stores, there is usually no trade union or any other type of employee representation. There is more likely to be a trade union presence in the public sector stores because of the history of public sector companies linked to trade unions and specific political parties.
- In general, data on the commerce sector, including commercial centres, is very fragmented and not coherent.

Annex 1: Cases

The map below shows the geographic location of the two case study centres (Janki, Targówek) and the location of the most probable future third centre (Łomianki).

Figure 3: *Warsaw and its commercial centres*

Case 1: Conforama store at the Janki Commercial Centre

Based on an interview with Mr Grzegorz Sadowski, Director, Conforama[15] (20 April 2007)

Context

The Janki Commercial Centre (**http://www.chjanki.pl**) and the Janki Commercial Park (**http://www.janki.parkhandlowy.pl/noweonas/faktyidane.html)** are located 10 km outside the centre of Warsaw, at the two sides of the E66 and E77 highways in the direction of Katowice and Cracow. The centre and park cover an area of approximately 30 hectares, and the total shopping area of the commercial centre is 140,000 square metres.

[15] The Conforama store is located at the Janki Commercial Centre. Its size is approximately 15,000 square metres and it covers approximately one-sixth of the centre. Conforama mainly offers a wide variety of furniture, household appliances, electronic equipment and interior design articles.

	The Janki Commercial Park	The Janki Commercial Centre
Opening	1995	1999
Shopping area	52,000 square metres	75, 000 square metres
Number of shops	36 shops, among them IKEA, Praktiker and Electro World	16 average-size shops and a Real Hypermarket, several dozen boutiques and service points, multiplex cinema, 10 restaurants
Parking size	2,300 free parking places (800 of which are underground)	3,500 free parking places
Number of visitors annually	10 million	6 million

In addition, there are several dozen different shops and service points located in the areas managed by Apsys and the Inter IKEA Centre Polska.

It can be stated that a typical commercial centre structure in the Warsaw area is a large commercial centre and/or commercial park, usually with one big hyper- or supermarket, and a certain number of speciality shops located in the area. Most often these are electronic equipment stores, furniture and interior design stores and sports equipment stores. Usually, 80% of the stores at the commercial centre are chain stores and 20% are individual brand stores.

For the past couple of years, the commercial centre in Janki has not developed much and the structure of retailers renting store premises has not changed. In some cases, the withdrawal of brands or change of brands can result in an increase, decrease or change in the number and types of visitors. For example, the Janki Commercial Park change from Geant to Real resulted in fewer visitors. Geant was perceived as a cheap supermarket with a wide variety of products. After it changed from Real, the usual visitors from the south-western part of Warsaw started to visit another Real store closer to their homes.

The saturation of the Warsaw market with shopping centres has forced management firms to change their marketing strategy in order to attract more visitors. New initiatives include such events as billboard promotions or entertainment events like fashion and dance shows in the square of the centre.

Location factors and catchment area of the Janki Commercial Centre

Visitors to Janki come from as far as 40 km away, as it is the biggest commercial centre in the area. Its location on an outbound road from Warsaw guarantees that there are many clients who commute to work to and from Warsaw via Janki – some of them are even inhabitants of Łódź (some 150 km from Warsaw). It is important to note that there is no IKEA in Łódź, which may be another reason for visitors from Łódź to visit the centre. It is estimated that only approximately 20% of Janki's clients are from Warsaw.

The location of the Janki Commercial Centre at a major crossroads is very convenient for clients and for suppliers, and it also allows for an easy transport of purchases to clients, which is especially important in the case of bulk goods such as furniture. However, despite its convenient location, it is currently very difficult to reach the centre due to permanent traffic jams and lack of alternative roads. There are plans to construct a Warsaw bypass which may facilitate access to the commercial centre. This could potentially enhance its further development.

Free buses have been available for the commercial centre clients from the very beginning. They run to Warsaw and to other neighbouring towns, even those 30 km away from the centre.

The location decision factors were as follows:

- crossroads of the exit highways from Warsaw in the direction of Cracow and Łódź (closer to potential customers from Cracow and Łódź than from Katowice);
- construction of the IKEA shop has attracted further shops – for the respondents, it was obvious that clients follow IKEA, therefore they tend to follow this strong competitor and treat location decisions of the IKEA shops as decision factors for their own location. (It is worth underlining that 'location locomotives' are followed by their competitors (the example of IKEA followed by Conforama and Castorama), the followers believing that an unhappy IKEA client will shop at their stores.)
- the Janki Commercial Centre was one of the very first commercial centres in Poland: shops located there made profits from their monopolistic position.

One of the advantages of locating in the commercial centre is that a wide variety of shops, products and brands attracts more customers. Moreover, visitors come with their families and spend the whole day shopping. Another advantage is a wide variety of offered services, so it is possible to shop, have a meal, go to the cinema, make use of childcare facilities located in the commercial centre and buy all the products one needs in one place.

There are certain costs involved in locating a shop at the commercial centre, but shop owners benefit from centralised services such as clearing snow from the roof, parking and transportation for consumers to the location.

Another characteristic of a commercial centre is the fact that the management firm tends to 'profile' a centre and the infrastructure serves the purpose of the chosen profile. In the case of the Janki commercial centre, the managing company wants to create the profile of a 'family centre'. As a consequence, the average clients are aged 30 to 40, usually young married couples and sometimes with children.

Cooperation

It is worth noting (and it has also been confirmed in the interview with Stephen Pragnell of the Polish Council of Shopping Centres) that there is usually no cooperation between shops located in the same commercial centre. The centre in Janki is also a centre of competitors – shops offering similar goods, which provide a visitor with a wider choice. The only cooperation concerns common initiatives initiated by the management company, the most obvious being free transportation for customers to all the shops. Sometimes – but rarely – shops located in the same commercial centre take part in the events organised by the commercial centre management.

Management and cooperation

The managing company occasionally conducts surveys concerning the willingness of individual shops to participate in common actions, but their number is rather limited and purely of an organisational character as opposed to promotional, sales, or HR-type cooperation.

It is important to note that individual shops do not have any influence on which other shops will be located at the centre premises, and all interviewees agreed that a clear policy on what type of shops to accept in the centre does not exist.

Employment issues

The most frequent category of shopping centre employee is young people. The most important factors shaping the employment situation at the centre are the location of the centre and its accessibility by employees. Location of a commercial centre influences the ability to attract and recruit employees. The better locations are those where one can easily reach the centre using public transportation. Recently, attracting sufficient staff has become a problem for Janki, as people were finding its location far from the city centre to be a disadvantage, and even free buses were not a convincing argument for taking a job at this location. Moreover, the problem has become even more acute recently due to the increasing emigration of young people after Poland's accession to the EU.

All interviewees observe that it is difficult to recruit employees for two reasons: recent emigration (mainly to the UK and Ireland) and an increased focus on strong retail skills (e.g. not just a regular shop assistant, but someone with advanced selling skills and good interpersonal skills who can play the role of an advisor to customers). Previous experience in similar jobs is an asset.

The strategy of recruiting employees (shop assistants and customer service personnel) used to be based on recruitment through press advertisements; at present, the recruitment procedure is mainly done using internet job portals and advertisements. The student recruitment campaign is conducted at the shop level, via recruitment posters placed in the shop windows. Recruitment of employees the management level is conducted by HR departments and/or with the help of headhunting agencies.

The 'new shop assistant' has to be flexible, proactive and able to adapt to new situations and customer expectations. An ideal employee should be involved, dynamic, independent and self-motivating. He or she should understand the idea of 'counselling', enjoy contact with customers and be ready to develop his or her professional skills.

Typical employees of shops located in commercial centres are women with a high school education, some of whom study in the evenings. The recent employment trend is to employ elderly workers, especially women aged 40 to 60 years old. One of the interviewees reported that since July 2006, they have not been able to hire sufficient numbers of employees, mainly due to intensive migration to the UK and Ireland. The commerce sector is characterised by a relatively high turnover rate: in 2005, turnover was estimated at 30% to 40% per year. There were no cases of massive layoffs and decisions to end employment were mainly individual decisions by employees to leave their jobs.

Respondents claim that they employ people on the basis of an employment contract and it is usually full-time employment. Employees who have to commute to the commercial centres located in distant areas claim that they are interested only in full-time employment, not part-time employment of any kind. Recent recruitment difficulties, especially in the Warsaw area, have resulted in increased salaries (beginning of 2007), while until the end of 2006 such increases had not taken place.

Both financial and non-financial incentives are used to motivate employees. As an example, different competitions are organised, like 'Employee of the Month' and 'Employee of the Year' contests. Other incentives include social events such as parties, barbecues, football matches and Christmas parties for the children of the employees.

Shops located at the commercial centre organise a limited number of training programmes. Most often these are different types of induction training programmes and there is a catalogue of some basic training programmes (for example, induction training on services provided and products sold), also provided through on-the-job training. More advanced training programmes are delivered by external vendors.

Trade unions and employee participation

The presence of trade unions is very rare at the shops located in the commercial centre. In cases where a shop belongs to an international group, an elected person from the Polish headquarters is delegated to the European works council. There is also a person who has a role of a 'porte-parole' for employees, for example to support employees in such cases as sexual harassment and mobbing. There are no official forms of employee participation; however, the enterprise is open and ready to implement any comments and suggestions employees may have.

Future development and technological progress

Further development depends on the strategic decisions taken at the group level. There are no sales via the internet, but recently the shop website has been modernised: it is now possible to see all products, view a commercial newsletter, contact the store and file a complaint.

In terms of product registration, only a part of the product selection is codified by bar codes. The respondent is convinced that in the case of furniture and interior design articles, the possibility to see and feel the products will still be a decisive factor in the future, and internet technologies cannot replace that.

Case 2: Dominium Pizza restaurant at the Targówek Commercial Centre

Based on an interview with Ms Anna Senator, Manager, Dominium Pizza (8 May 2007)

The Targówek Commercial Centre is located 7 km from the very centre of Warsaw, at the border of Warsaw and the suburban town of Marki. It is located at the crossroads of the Toruńska bypass and the main exit to the north-east and the Polish border with the Russian Federation (the Kaliningrad area), Lithuania, Belorussia and Ukraine. It covers an area of approximately 200 hectares and the total shopping area of this commercial centre is approximately 130,000 square metres.

	The M1 Marki Centre	The Targówek Commercial Park	The Targówek Commercial Centre
Opening	1999	1995	1998
Investor	Metro Group Asset Management	Inter IKEA Centre Polska S.A.	Manhattan Real Estate Management Sp. z o.o.
Shopping area	40,000 square metres	Planned area 118,500 square metres	50,000 square metres
Number of shops	1 store	100 shops (mainly furniture and interior design articles)	138 brand shops and a Carrefour supermarket
Parking size	2,480 free parking places	Planned 5,600 free parking places	1,780 free parking places
Distinctive feature	Close to Makro Cash&Carry store in Ząbki, also belongs to the Metro Group	Recreation area and wide variety of restaurants	Targówek Shopping Centre is one of the biggest shopping centres in the north-east side of Warsaw

Context

Dominium Pizza is a dynamic and growing countrywide network of pizza restaurants and take-away services. The Board of Directors is responsible for decisions concerning location of restaurants. The Dominium Pizza restaurant in question is located on the top floor of the biggest building in the Targówek Commercial Park and is one of the restaurants in a food court called the Taste Park (*Park Smaku*). In the future, the passage where the food court is located will be a passage leading to another commercial area that is under construction at the moment (the Targówek Commercial Park). The Taste Park is located close to the furniture and interior design stores as well as a luxury deli store as part of the Polish supermarket 'Piotr i Paweł'.

Location factors and the catchment area of the Targówek Commercial Centre

One of the decision factors was the accessibility of the restaurant for private cars as well as public transportation from the west side of Warsaw and from the suburban villages of Radzymin (15 km away), Wołomin (20 km away), Wyszków (40 km away) and other areas north of Warsaw.

Another decision factor was the creation of the Centre M1 and the dynamic development of housing in the neighbouring areas. There was a huge demand for different kinds of products, facilities and services. It can be stated that the development of the residential area nearby has been a stimulus for the development of the centre and not vice versa.[16]

One of the Dominium Pizza restaurants is situated at the Janki Commercial Centre and it was a big success. As a result, it was also decided to locate an outlet at the Targówek Commercial Centre. The potential benefit of this location is the number of consumers that come to the commercial centre. Its present peripheral location is a disadvantage, but will improve when the extension of the commercial centre is completed. All restaurants located at the Taste Park are Polish; it is very hard to define the country of origin of the other stores, apart from such clear cases as IKEA or Real.

Future development

There are coherent and consequently realised development plans. In two years' time a new commercial area behind the Taste Park will be constructed, which means that the food court will be in the centre of this part of the commercial centre and not at a dead-end corner, as it is at the moment. The restaurants located in the Taste Park have high expectations linked to the extension of the centre, as they believe that the number of consumers visiting the centre again will reach the levels achieved when the centre opened. There have been downturns in the number of visitors during the extension work.

There are threats and opportunities linked to the future development of the Taste Park. The main threat is a decreasing number of customers, which is caused by its temporarily peripheral location. It would be better if the Taste Park was more centrally located, as it will be when the extension is completed.

Target audience and transportation

The target audiences of the Targówek Commercial Centre are the middle classes (for IKEA, Castorama) and high-income consumers (for Domoteka). In the Taste Park, the most frequent customers are young married couples, well-off middle-aged persons, pregnant women and women with small children.

Access to the Targówek Commercial Centre is very convenient, as the centre is next to the main exit routes from Warsaw. It can be accessed by private cars and public transportation. However, there is no free transportation to the centre. This was a strategic decision of the centre management: it is interested in attracting customers with their own transportation under the assumption that owners of private cars will be more likely to buy more than those using free transportation services. Transportation of employees, especially at night, is a serious problem (the public transportation does not operate at night). This is why people can be reluctant to take on jobs in stores located at the Targówek Commercial Centre. Some firms have organised free transportation for their employees. Most of the employees come from suburban towns, while a minority come from Warsaw.

[16] This observation was confirmed by Ms Patrycja Dzikowska from Jones Lang LaSalle; she also observed that within the next 15 to 20 years, a field representing the border between Warsaw and the suburban towns and villages in this area will disappear.

Management and cooperation

The management company was very active in promoting and supporting the outlets during the Taste Park opening. Afterwards, its activity decreased significantly. The store owners have informally complained that for such high rent, a better service should be provided. Retailers do not have any influence on management strategy for the centre. There are some synergies, most likely consciously arranged by the management company. For example, in the collection of furniture stores there is a baby store called The Baby's World – young couples looking for furniture can also drop in here. Another example is the presence of a fitness club next to the food court – after a workout, one can have a meal at one of the restaurants.

The owners of the restaurants located at the Taste Park have a common problem – a temporarily inconvenient location. There are common actions to promote the food court, such as a spontaneous laser show. Such actions are financed by the restaurant owners, although the management company usually also contributes. There are also other actions supported by the management company, but their contribution is very limited, whether it is financial or in kind. The interviewee from Jones Lang LaSalle commented that this case of cooperation is a unique one, even from a countrywide perspective. Usually there is no cooperation whatsoever among owners of the stores. In the case of the M1 Marki Centre, there were attempts to organise a Council of Tenants, but the initiative has not been successful.

The management company does not allow the placing of immediate competitors in the same building; if they are placed in the centre, they will be placed in a different building/area.

Employment issues

Employees at Dominium Pizza are mainly high school graduates (the 'matura' exam) or college graduates.[17] There is a majority of women among waiters, whereas the delivery service is staffed primarily by men.

Recruitment of employees is quite a challenge at the moment. The main problem concerns the recent and massive migrations to the UK and a relatively low level of wages that cannot be increased due to the high focus on cost and the achievement of high rates of return. Dominium Pizza employees are mainly from Ząbki (a town some 2 km away from the centre). Employers try to attract employees by offering a good working atmosphere in a young team (the average age is 25 years). Recruitment methods are mainly press and internet advertisements placed on the restaurant website.

Up to now there have been no collective dismissals. However, employee turnover rates in restaurants are high.

Employees are either full time or part time and some have fixed-term contracts. The catalogue of non-financial incentives is rather limited. There are integration events and competitions for employees. Vocational training programmes are provided only for the employees at management level from the position of a restaurant manager and upwards. Restaurants located at the Taste Park do not compete with each other for employees. They employ many students, who are easier to find than vocationally trained personnel.

[17] It is important to note that after the liberalisation of the education market, the number of college graduates has significantly increased but the quality of an offered education remains questionable. Therefore, in Poland there is a phenomenon of young college graduates who have difficulties in finding jobs and who take on low-skilled jobs such as jobs at restaurants.

Standard training programmes are training programmes for waiters and chefs on the Dominium Pizza standards. There are no trade unions at Dominium Pizza or in the centre in general.

Technologies

There is a website for the whole network of Dominium Pizza restaurants, where the menu is available and where the order can be placed and paid for. It is a very popular way of ordering pizza. Offers to customers are sent via email and there is information on each pizza box about how to place an order. There is a central call centre where orders from the whole Warsaw area can be placed, and the closest restaurant will then deliver the meal.

Annex 2: Employed 15- to 24-year-olds compared to total employment

Data from the Main Statistical Office, 1st quarter 2007

	Activity rates* (in %)
Total	53.2
Male	61.5
Female	45.6
Age bracket 15–24	32.6

* *Economically active population means people aged 15 and more who are recognised as employed or the unemployed.*

Annex 3: Project details

1. Project Assistant

Zbigniew Bednarczyk, Junior Consultant, BPI Polska

2. Interviewed persons

Name	Position	Organisation
Stephen Pragnell	President	Polish Council of Shopping Centres (*Polska Rada Centrów Handlowych*)
Grzegorz Sadowski	Director	Conforama, the Janki Commercial Centre
Renata Kinde-Czyż	Member of the Board of Directors	Metro Group Asset Management
Anna Senator	Manager	Pizza Hut restaurant, the Targówek Commercial Centre
Patrycja Dzikowska	Senior Market Analyst	Jones Lang LaSalle
Dorota Antochów	Secretary	Polish Organisation of Trade and Distribution (*Polska Organisacja Handlu i Dystrybucji*)

3. Established contacts and cancelled interviews

Name	Position	Organisation
Małgorzata Białek	Director	The Janki Commercial Centre
Andrzej Glonek	Deputy Director	The M1 Marki Centre
Aleksandra Wasilewska	Communication Director	Apsys
Robert Ciemięcki	Director	Inter IKEA Centre Poland
Mariusz Machnicki	Director	IKEA, the Janki Commercial Park
Waldemar Bazela	Director	‘Piotr i Paweł’ deli store, the Targówek Commercial Park
Dariusz Denicki	Director	Electroworld, the Targówek Commercial Park
Krystyna Włodarska	Director	Domoteka, the Targówek Commercial Park
Michał Pióro	Director	IKEA, the Targówek Commercial Park

Anna Kwiatkiewicz, BPI Polska

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