International Journal of Business and Economics, 2015, Vol. 14, No. 1, 63-77

Retail Developments in Poland, Kazakhstan, and Ukraine: A Comparative Analysis

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Abstract

We apply the "Three Speed" model (Lynn, 1993) to compare retail industry developments in the context of three countries—a non-Commonwealth of Independent States (CIS) country (Poland), a former CIS country that terminated its relationship with CIS in 2014 although it was one of the founding members (Ukraine), and a current CIS country (Kazakhstan). Poland is considered to be the lead country, Ukraine is considered to be the lag country, and Kazakhstan is considered to fall in between Poland and Ukraine in terms of retail developments. We propose an "Environmental Theory," and in particular an "Adjustment Theory," suggesting that the retail development is a function of various environmental influences and a country's capability to adopt the changes resulting from the environmental dynamics. We provide a comparative discussion of the environment in the three countries and favorable as well as unfavorable factors for the development of retail trade. Retail developments are compared using both qualitative and quantitative indicators, which support our conceptualization that the "Three Speed" model has relevance for comparison of retail development in these three countries.

Key words: "Three Speed" model; environmental influences; adjustment theory; retail development; Poland; Kazakhstan; Ukraine

JEL classification: M00

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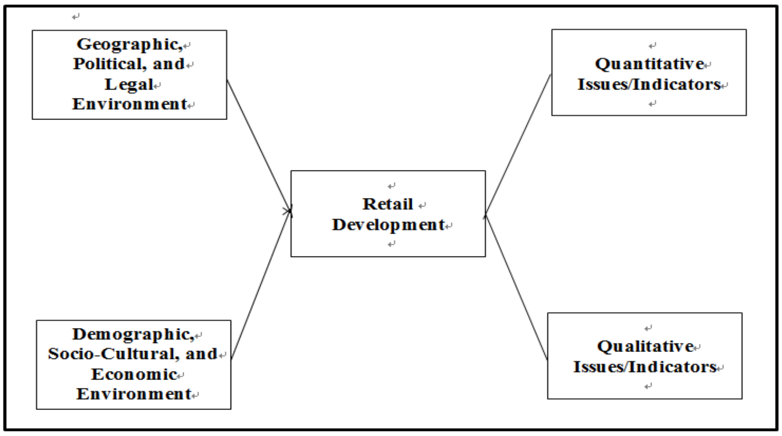
1. Introduction and Conceptual Framework

A substantial body of literature deals with the challenges of marketing in the transition economies of Eastern Europe. However, minimal attention has been paid to the post-Soviet economies of Eastern Europe, the Caucasus, and Central Asia—most studies in this region to date have dealt primarily with macro-economic and political issues (Meyer and Peng, 2005). Yet, these formerly peripheral transition economies are gaining in importance and relevance, and they are increasingly wielding considerable economic power regionally and internationally, given their substantial natural resources and strategic location. While these post-Soviet economies are complex, volatile, and plagued with corruption and conflict, they have become, nevertheless, an attractive target market to multinationals. Their markets are, in fact, a battleground between multinationals and local enterprises fighting for the heart and the limited, for now, pockets of consumers. And retailing is the point where this fight is most intense and readily observable.

The present study proposes to address retailing developments in this region in relation to the more advanced countries in Eastern Europe. Specifically, the study will investigate retailing developments in Kazakhstan, Ukraine, and Poland. Kazakhstan, a transcontinental country, is a member of the Commonwealth of Independent States (CIS), which includes most of the states of the former Soviet Union, with mandates in the areas of trade, finance, legal issues, security, and crime, among others. Ukraine is one of the founding members of the CIS, but it is no longer officially a member state of the CIS—it does selectively participate in joint actions. Poland was part of the Eastern Bloc, under the influence of the Soviet Union, but never part of the Soviet Union, and thus not part of the CIS. The reason behind this country selection is that there are no marketing studies to date that have provided a comparison between post-Soviet countries and those of the more economically advanced formerly communist countries.

Figure 1. Environmental Influences on Retail Development: A Conceptual Framework



We hereby posit that the geographic, political, and legal environment and the demographic, socio-cultural, and economic environment of the three countries influence the development of retailing. In the process of analyzing these factors, we assess the extent to which these three countries have been able to adjust and adopt Westernization and free market approaches (Lascu et al., 1997). We attempt to advance hypotheses that we address using a qualitative and quantitative analysis of retailing in the three countries. Figure 1 provides a description of the conceptualization of our paper.

2. Environmental Influences on Retail Development

Factors influencing and processes underlying the development of retail trade in a country have been a very important area of research and have drawn attention of a large number of scholars (Anitsal and Anitsal, 2011; Brown, 1987; Brown and Dant, 2008, 2009; Lowry, 1997). Various theories of retail development have been advanced. Anitsal and Anitsal (2011) classify the retail development theories into four categories. These include Cyclical Theories, Environmental Theories, Conflict Theories, and Combination or Hybrid Theories.

The Environmental Theories can be further classified into three sub-categories, namely, Adjustment Theory, Natural Selection, and Survival of the Fittest. Adjustment Theory suggests that the retail development is a function of a country's capability of adoption of changes they encounter in their journey from former Soviet/Communist to free-market economies. The environment of the three countries included in our study is quite different and so are their capabilities of adoption and adjustment to change. The focus of our study is to compare how differences in the environment and adoption capabilities affect the development of retail industry in the three selected countries.

2.1 Geographic, Political, and Legal Environment

The countries in this study, Poland, Kazakhstan, and Ukraine, gained their independence from the Soviet Union and from the Soviet sphere of influence known as the Eastern Bloc in the late 1980s. Unlike Ukraine and Kazakhstan, Poland was never a part of the former Soviet Union, but it was also part of the Eastern Bloc and a member of the Warsaw Pact, the Warsaw Treaty Organization of Friendship, Cooperation, and Mutual Assistance, in existence from 1955 until 1991, a mutual defense treaty between the communist states of Central and Eastern Europe during the Cold War (Heuser, 1998).

Poland and Ukraine are neighboring countries and close allies. However, Poland formed a stable democracy and transitioned to a market economy, ultimately becoming a member of NATO and the European Union (EU), whereas Ukraine, a former member of the Soviet Union and a member of the CIS until only recently (it terminated its relations with CIS in 2014), has not embarked on any determined policy of reform and it remains part of the post-Soviet area, which is often perceived in Russia and in Western Europe as the Russian Federation's "near-abroad"

(Szeptycki, 2010). Until 2004, Ukraine’s political system was becoming more and more like Russia’s, with freedom of speech constrained, democracy on the retreat (Szeptycki, 2010), and with oligarchs dominating Ukrainian politics, attempting to institutionalize the existing dictatorship with an increasingly opaque legal system. The Orange Revolution of 2004 changed Ukraine’s path to one of democratic pursuits and economic liberalization, with an orientation toward the EU and away from Russia. However, the 2010 presidential election had Ukraine backslide into authoritarianism (Haran, 2011). Thus, today, Poland increasingly perceives its international environment through the prism of its membership of the EU, aligning its political and legal system to EU policies and regulations, whereas, for Ukraine, the most important roles are played by two of the major actors it borders: the EU and the Russian Federation (Szeptycki, 2010).

Kazakhstan, a vast country, the world’s ninth largest, with an area approximately 28% the size of the US (CIA Factbook, 2013), broke away from the Soviet Union in 1991, but it continues to operate under its sphere of influence as a member of the CIS. It holds major deposits of oil, natural gas, coal, chrome ore, nickel, cobalt, copper, molybdenum, lead, zinc, bauxite, gold, and uranium (Yeager, 2012). Its form of government is allegedly a democratic republic; however, the current president has held his post since independence, and he alone appoints both the country’s prime ministers and the Council of Ministers (Yeager, 2012).

Kazakhstan’s oil reserves have benefited from large investments from multinational oil companies. The section of the Caspian Sea to which Kazakhstan has a claim is reputed to contain the world’s largest untapped oil reserves; consequently, the country is experiencing a “gold rush” of prospectors, with states and global oil companies as the main actors (Amineh, 1999; Bahgat, 2003; Meyer and Brysac, 1999; Yeager, 2012).

2.2 Demographic, Socio-Cultural, and Economic Environment

Poland is located in Eastern Europe and it has a population of 38,415,284 (CIA Factbook, 2013). The country serves as a geographical bridge between Germany and the former Soviet Republics, linking Eastern Europe to Western Europe, which gives Poland a strategic importance (Orel and Zelen, 2011).

Poland has actively pursued a policy of economic liberalization since 1989, and its economy was the only one in the European Union to avoid a recession during the 2008–2009 economic downturn. Poland has access to European Union structural funds, which have provided a major boost to the economy since 2004 (CIA Factbook, 2013). Its GDP per capita is high, at $21,000, with its GDP composition dominated by services, at 62.3%, followed by industry, at 34.2%, and agriculture, at 3.5% (CIA Factbook, 2013).

Poland has a high-spending consumer society and the largest growth rate among the OECD countries, which greatly increases Poland’s importance to the EU (Aluchna, 2007; Orel and Zelen, 2011). Due to this advantage, Poland has attracted major foreign capital investment since the latter half of the 1990s, and Poles’ ever increasing purchase power, along with the increased spending by Russians, Belarusians, and Czech citizens has led to Poland having a great market potential (Orel and Zelen, 2011).

As mentioned, Kazakhstan has a very large territory as the ninth largest country in the world, but it has only slightly more than 5% of the population (Das et al., 2010), specifically, 17,522,010 inhabitants (CIA Factbook, 2013). Over half the population consists of native Kazakhs (63%), with about 24% of the population Russians who immigrated to Kazakhstan as part of a Soviet agricultural settlement program in the 1950s and 1960s (Yeager, 2012), and 2.8% Uzbeks, followed by other nationalities (CIA Factbook, 2013).

Kazakhstan's economy is larger than those of all the other Central Asian states of the CIS combined, due to the country's booming energy sector and its natural resources, economic reforms and privatization, and intense foreign direct investment (Das et al., 2010; CIA Factbook, 2013). Its GDP per capita is at $13,900, the highest after Russia in the CIS, with its GDP composition dominated by services, at 56.9%, followed by industry, at 37.9%, and agriculture, at 5.2% (CIA Factbook, 2013).

Ukraine has a large population, at 44,854,065—down from over 48 million in 2001 (EIU ViewsWire, 2010), consisting of Ukrainians (77.8%), Russians (17.3%), and other nationalities, and, after Russia, it is the most important economic force of the former Soviet Union, producing about four times the output of the next-ranking republic, with a large agricultural sector and diversified heavy industry (CIA Factbook, 2013). Its GDP per capita is at $7,600, with its GDP composition dominated by services, at 65.7%, followed by industry, at 18.5%, and agriculture, at 15.8% (CIA Factbook, 2013).

The quality of life in Ukraine has been a challenge, with a 40% drop in the number of marriages between 1991 and 2004, indicative of a decline in living standards in the post-independence period, and the country has experienced a considerable amount of emigration and brain drain since the fall of communism (EIU ViewsWire, 2010). Ukraine exports low-value-added commodities, such as agricultural products, fertilizers, and steel, primarily to the EU and Russia; it is a heavy energy product consumer, primarily imported from Russia, which makes its economy heavily dependent on world energy prices and political turbulence related to natural gas and oil imports from Russia (Dabrowski and Taran, 2012).

Ukraine is looking westward to the EU, attempting to create a relationship that goes beyond cooperation to gradual economic integration. In 2012, the EU signed deals on free trade and political association with Ukraine—specifically, the association agreement and the agreement on the creation of a deep and comprehensive free trade area (DCFTA); however, these have yet to be ratified due to concerns over the current deterioration of democracy and the selective prosecution of political opponents (Interfax Ukraine, 2012). In fact, Ukraine is seriously jeopardizing its chances for the DCFTA, as, in addition, it has a mixed record in reforming its economy and it is still struggling to fulfill all of its commitments undertaken during the World Trade Organization accession process (Dabrowski and Taran, 2012).

3. Hypothesis of 3-Speed Model

Based on the literature review, this study advances a hypothesis of a three-speed model, comprised of Poland, Kazakhstan, and Ukraine. Poland is representative of the first-wave members of the European Union, the most advanced economically of the three countries in this study, with a longer history of a market economy. As such, it is thought that Poland has been more successful in adopting Westernization and marketization (Lascu et al., 1997) compared to the two other countries. Poland is likely to have national retailing structures that will compete directly and successfully with multinational retailers and fewer informal retailing structures that characterized retailing under communism, such as unmonitored tax-avoiding street hawkers and many open market stalls. Kazakhstan is a very large country with a booming energy sector and is a prime market for foreign direct investment. As such, Kazakhstan is likely to have a substantial presence of foreign retailers fighting for the newfound wealth of Kazakh consumers, while informal retailing structures will continue to serve low-income consumers. Ukraine is a large country with a strong economy, part of the former Soviet Union, but no longer a member of the CIS. It has forged economic alliances with Western European neighbors and is looking Westward for its economic partnerships and influence. However, its economy has not had the benefit derived from joining the European Union, as in the case of Poland, nor the advantages conferred by newly discovered natural resources, such as oil and gas, as in the case of Kazakhstan. It is thus thought that, in this model, Poland would be a lead country, Ukraine will be a lag country, and Kazakhstan would be in between. Thus, we hypothesize that:

Hypothesis: Poland has the most developed retailing industry, Ukraine has the least developed retailing industry, and Kazakhstan falls in between Poland and Ukraine in terms of the development of the retail industry.

Next, we test the above hypothesis by an in depth analysis of the quantitative and qualitative issues related to the development of retailing in three countries.

4. Retail Development: Quantitative Issues

Table 1 provides a comparison of geographic, demographic, and economic indicators, as well as detailed statistics of retail development in the three countries in terms of employment in retail sector, retail sales volume, store-based versus non-store retailing, and grocery versus non-grocery retailing.

As can be noted, the total sales volume for Poland ($82,898 million) is about three and half times that of Kazakhstan ($23,496 million) and Ukraine ($22,417 million). The difference is even greater for the non-store retailing sector, with Poland having non-store retail sales of $4,592 million compared to only $333 million for Kazakhstan and $933 million for Ukraine. Upon further examination of retail sales by product category (grocery versus non-grocery), similar proportions are noted for Poland in comparison to Kazakhstan and Ukraine. Polish grocery sales

($44,726 million) are more than three times that of Kazakhstan ($13,793 million) and Ukraine ($12,641 million). The difference is even greater in case of non-grocery items with Poland at $33,589 million while Kazakhstan and Ukraine are at $9,370 million and $8,842 million, respectively.

Table 1. A Comparison of Retailing in Poland, Kazakhstan, and Ukraine

Indicators	Poland	Kazakhstan	Ukraine
Total Employment	15.92 MM	8.35 MM	20.58 MM
Empl. in Retailing	1.92 MM	1.21 MM	1.60 MM
Empl. in Retailing as % of Total Empl.	12.06%	14.49%	7.77%
Total Sales in Retail	$82,898.55 MM	$23,496.27 MM	$22,417.12 MM
Store Retail Sales	$78,305.87 MM	$23,164.05 MM	$21,484.32 MM
Non-store Retailing	$4,592.71 MM	$332.77 MM	$932.79 MM
Grocery Retailing	$44,716.33 MM	$13,793.70 MM	$12,641.97 MM
Non-Grocery Ret.	$33,589.54 MM	$9,370.35 MM	$842.35 MM
# Store Retailers	296, 826	117, 758	—
# Grocery Retailers	140, 905	112, 214	—
# Non-Grocery Ret.	155, 921	65, 544	—
Area (Square miles)	121, 000	1,052, 000	233, 000
Retail Density (# Stores/Sq. Mile)	2.45	0.16	—
Population (MM)	38.50	17.95	44.29
GDP ($ Billions)	814	264.9	337.4
GDP/Capita	$21,118	$15,219	$7,422
Retail Sales/Capita	$2,153.21	$1,308.98	$506.14

Sources: Euromonitor (2012); CIA World Factbook (2015), https://www.cia.gov/library/publications/the-world factbook/fields/2012.html, accessed on February 27, 2015; International Monetary Fund, World Economic Outlook (2015), http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/index.aspx, accessed on February 27, 2015.

The above analysis of overall retail sales, store-based sales, non-store sales, grocery sales, and non-grocery sales clearly establish Poland as the lead country.

While Kazakhstan and Ukraine both are far from Poland, Kazakhstan is in a relatively better position than Ukraine on most items listed above on which we compared three countries with the exception of non-grocery retailing.

In terms of the employment in retailing sector, while all three countries have between 1 and 2 million employees, it is worth noting that Kazakhstan ranks #1 on retail sector employment as a percentage of total employment. Poland and Ukraine have much higher overall employment (15.92 million and 20.58 million, respectively) compared to Kazakhstan (8.35 million). However, retail sector employment as a percentage of total employment in Poland and Ukraine is 12.06% and 7.77%, respectively, compared to Kazakhstan at 14.49%. This finding suggests that retail sector is growing at a much faster rate in Kazakhstan, especially compared to Ukraine.

A comparison of retail density (# of stores per square mile) indicates that in Poland there are on average 2.45 stores per square mile whereas in Kazakhstan there is only one store every six square miles.

In terms of overall GDP, Poland clearly ranks #1, Ukraine as #2, and Kazakhstan as #3. However, a more relevant consideration for assessment of retail potential is GDP per capita. Poland ranks #1 in GDP per capita at $21,118, Kazakhstan ranks #2 in GDP per capita at $15,219, while Ukraine is #3 in GDP per capita at $7,422.

Finally, a comparison of retail sales per capita reveals the same hierarchy, namely, Poland is #1 with retail sales per capita at $2,153.21, Kazakhstan is #2 with retail sales per capita at $1,308.98, and Ukraine ranks #3 with retail sales per capita at $506.14.

The above discussion of quantitative issues related to retail developments in the three countries clearly supports our hypothesis of “Three-Speed Europe” where Poland is seen as the lead country, Ukraine is seen as the lag country and Kazakhstan falls in between Poland and Ukraine in terms of retail developments.

4.1 Qualitative Issues

According to Euromonitor International (2013b), after the economic crisis, retailing in Poland continues on an upward trend, largely due to steady spending on food. Grocery and non-grocery private labels are becoming increasingly popular, and, in response, leading retailers are introducing and/or expanding their private label ranges.

Small retailers are still predominant, but they are quickly losing ground to chain stores, which are investing heavily in new outlets; large chain stores are able to offer lower prices, thus winning the hearts and wallets of price-conscious Poles—in particular, large multinational chains such as Jeronimo Martins, Tesco, and Carrefour are unrivaled market leaders (Euromonitor International, 2013b).

But, despite these three multinationals in the lead, Polish retailers are actively fighting for a larger market share, with many local players having built successful chains with resonant brands, such as Zabka Polska Sp zoo, Piotr i Pawel SA, and LPP SA (Euromonitor International, 2013b). These chains compete by specializing in order to gain market share and win consumer loyalty; for example, Zabka Polska Sp zoo operates in convenience stores with its Zabka and Freshmarket stores, which quickly gained popularity with busy Polish consumers, with convenient locations and a wide assortment of products, whereas Piotr i Pawel SA is a main player in the delicatessen-type supermarkets as well as an online store, offering high-quality products (Euromonitor International, 2013b). Domestic retailers are actively fighting to increase their market share, either through mergers and acquisitions or by introducing new, attractive concepts that appeal to consumers, such as Malpka SA supermarket's introduction in 2012 of its Malpka Express brand, in effect a convenience store selling groceries, press, alcohol, and tobacco, and with an in-store free Wi-Fi café (Euromonitor International, 2013b).

Internet retailing is also doing well in Poland, as time-strapped consumers are increasingly inclined to shop online for products with prices lower than those of bricks-and-mortar outlets (Euromonitor International, 2013b).

According to Euromonitor International (2013a), in Kazakhstan, consumers are becoming increasingly sophisticated and willing to pay more for good quality products; this trend is especially visible in electronics and appliance retailers. Consumer purchases are especially propelled by the local banks' willingness to lend on favorable terms and retailers tempting consumers with attractive price promotions.

Hypermarkets and supermarkets have become the first choice for consumers who want to have access to international products, and to save money using loyalty discount cards (Euromonitor International, 2013a). Price is an important consideration for Kazakhstani consumers: the most popular and the biggest chains such as Ramstore, Magnum, Migros, Intergros, and Metro Cash & Carry attract consumers with low prices and weekly discounts—and these stores are now expanding to smaller cities to gain regional coverage (Euromonitor International, 2013a; Robinson, 1998; Das et al., 2010). Foreign retail grocery chains such as Ramstore, Gros, Interfood, City Center, City Plus, Skif, Cash & Carry, and Smak are popular, with most present in the country as joint ventures of Turkish, British, European, or US retailers (Das et al., 2010).

Almaty, the largest city in Kazakhstan and formerly the capital, has a large shopping center, the Mega Alma-Ata, which is popular with consumers who go there for the cinema, shopping, restaurants, and grocery retailers. In Astana, the new capital, key shopping centers are Khan Satyr, followed by others, such as Keruen, Mega Astana, and Sary Arka (Euromonitor International, 2013a).

In Kazakhstan, for many years, small entrepreneurs and other grocery retailers, such as open markets and kiosks were the primary shopping locations for consumers and remain an important retailing institution (Euromonitor International, 2013a). Kiosks are omnipresent in the former Eastern Bloc and they are found everywhere in city centers and suburbs, where they exist as single kiosks, kiosks around open-air markets, and entire streets of kiosks—all privately owned and managed mostly by the members of one family; their sales volume accounts for about 20–25% of the total retail market in Kazakhstan (Das et al., 2010). Informal retailing remains one of the largest categories of grocery and non-grocery sales in Kazakhstan, with close to one thousand open markets—they are predominant in the southern part of the country, which is less developed and where consumers have lower incomes than in other regions (Euromonitor International, 2013a). In large cities, they are found around bus stations and at suburban road junctions, along with other retailers—a tradition that has been in place for thousands of years (Das et al., 2010). In these shops, independent entrepreneurs sell primarily groceries, such as fruit, vegetables, dairy products and meat, but also clothing, usually imported from China, of low quality and with a negotiable price (Euromonitor International, 2013a), and many other types of merchandise, usually bargaining with consumers for a good price. They account for more than 50% of the total retail sales volume in Kazakhstan (Das et al., 2010). It is possible that informal retailing will decline as new regulations dating from January 2013 are enforced, and the small entrepreneurs will have to pay taxes and subject themselves to government price controls (Euromonitor International, 2013a).

Internet use has grown rapidly in Kazakhstan: while in 2009, only 18% of the population used the internet, in 2011 it had a 50% penetration—consequently, consumers gained better access to internet retailers, increasing sales (Euromonitor International, 2013a). However, it should be noted that internet access remains expensive and speed is slow in many regions (Euromonitor International, 2013a).

After the global economic crisis of 2009, consumer confidence has regained some ground, with spending still focused on essentials and consumers purchasing increasingly at chain stores, which were more competitive than smaller entrepreneurs, and had wider product assortments, loyalty programs, and a high level of service (Euromonitor International, 2012). In Ukraine, grocery retailers have traditionally led non-grocery retailers in terms of sales; however, in 2011, retail value sales of non-grocery retailers accelerated as Ukrainian consumers had more disposable income and greater job certainty (Euromonitor International, 2012).

Despite the growth of chains, the competitive landscape remains fragmented in Ukraine; even the chain stores have had huge hurdles to overcome and unprofitable stores have closed or even left the market (Euromonitor International, 2012). Large international specialty retailers, such as Gap, Finn Flare, and Bosco, have made great inroads into the market; however, independent retailers continued to generate most sales due to their nationwide presence (Euromonitor International, 2012).

Informal retailing remains big business in Ukraine, with street hawkers and many open market stalls; here, people from the country come to sell fruit, meat, fish, and other products directly to the consumer. They offer cheap prices to move products quickly and not attract the attention of control bodies, whose role is to stop informal retailing and levy taxes and enforce sanitary requirements (Euromonitor International, 2012). The primary consumers of informal retailing are primarily low-income Ukrainians, but also city dwellers who insist on fresh dairy from the country—industrial dairy products are considered to be low in quality and Ukrainians prefer homemade alternatives (Euromonitor International, 2012).

Among some of the popular retail centers are Globus Trade Center, located in an underground complex beneath Independence Square in Kiev, offering space for a variety of retailers, including clothing retailers Ecco, Adidas, and Lee Cooper, cosmetics retailer Brocard, banks, and food chains, such as McDonald's and Dva Gusya (Euromonitor International, 2012). In another example, the Arena City shopping complex in Kiev combines offices and retail brands such as Boss, Gucci, Armani, and Benetton, bars and popular nightclubs; it is close to Metrograd, a large underground shopping center nearby (Euromonitor International, 2012).

The discussion of retail developments in the three countries Poland, Kazakhstan, and Ukraine reported above suggests that the retailing structure of the three countries are quite different. Poland exhibits well-established foreign retail chains and the local retailers are also fairly well organized. On the other hand, in Ukraine, the development of organized and established retail structure has been a problem and a large part of the market continues to be fragmented. Kazakhstan seems to be in between, while a good number of international retail chains exist, they are concentrated in certain parts of the country, for example, in the Almaty region. The local retailers in Kazakhstan seem to be more organized as compared to Ukraine, but well established retail structures are still evolving.

5. Conclusions

These differences in retail development can be explained in terms of various environmental factors discussed above. Poland is the first wave country and has a relatively much more stable political and economic systems compared to Kazakhstan and Ukraine. The economic stability along with its liberalization policies have clearly promoted the development of international as well as domestic retailers. Ukraine, on the other hand, continues to be plagued by political instability due to the Russian takeover of Crimea and Sevastopol. It is also plagued by the unrest and fighting in Eastern and Southern Ukraine. As a result, international retailers are skeptical of entering and operating in this market. The political instability has also come in the way of organization and structuring of the domestic retail sector. Kazakhstan has done reasonably well, but it is a very large country (more than eight times the geographical area of Poland and about four times the size of Ukraine). And the retail developments have not been uniform across the country. However, considering its vast natural resources, Kazakhstan appears extremely promising, but for now its retail developments are characterized as in between those of Poland and Ukraine. The differences in the environment of the three countries influence their capability of adopting Westernization and marketization. Thus, the findings of our research are consistent with the "Adjustment Theory."

The above discussion in the preceding two sections focusing on both the quantitative and qualitative issues related to retail developments in the three countries clearly supports the application of a "Three Speed" model to the three selected countries. Poland is seen as the lead country, Ukraine is seen as the lag country and Kazakhstan falls in between Poland and Ukraine in terms of retail developments.

6. Global Business Development Implications

All three countries discussed in this paper have potential to be key players in the global retailing arena. Poland has made significant progress in terms of restructuring its retail industry, privatization, entry of foreign businesses, development of merchandize assortment, and so on (Taylor, 2001). Kazakhstan and Ukraine in comparison are far behind Poland. A study of food supply chains in Kazakhstan and Ukraine by Lorentz (2006) examined the retail developments in Kazakhstan and Ukraine and found the two countries to be by and large at par with respect to retail developments with Ukraine being a little bit better than Kazakhstan. However, the situation since then has reversed and Kazakhstan has overtaken Ukraine. A main reason for this trend is the political instability in Ukraine. Kazakhstan's political system is considered to be more stable as compared to Ukraine's, where the Russian interference in the country has adversely affected its economy. From an international marketer's viewpoint, therefore, a careful analysis of the environment provides useful insights into the challenges of doing business in these countries undergoing transformation.

Karasiewicz and Nowak (2010) summarize the structural and behavioral change in Poland's retailing industry as a 3-phase process. Phase 1 consists of privatization and decentralization. It is characterized by the highest increase in the share of private sector in comparison to others. Next, Phase 2 consists of internationalization. It is characterized by the highest increase in the share of foreign capital in comparison to others. Finally, Phase 3 consists of concentration and consolidation of retail industry. It is characterized by the highest increase in the share of 5 to 10 top retailers in comparison to others. They characterize the process of retail developments in Poland in the early 1990 and 2010 as follows: "... from a disorderly, fragmented retailing system in the early 1990s to the emergence and spread of western-style large retail formats and chains in the late 1990s, to the expansion and consolidation of the chains, leading to the progressive concentration of retailing in the 2000s." The authors also identify a fourth phase in process, namely, innovation and modernization of retailing. It is characterized by the highest increase in the share of modern and Internet trading.

Using the above framework of retailing development phases, and based on the above discussion, it is our assessment that Ukraine is in Phase 2 while Kazakhstan is an advanced phase 2 or early Phase 3. Gagalyuk and Hanf (2014) describe the state of retail developments in Ukraine as "ongoing verticalization addressed by foreign retailers and imitated by local firms"; while this internationalization has led to product quality improvements, to advance further Ukraine needs to go beyond internationalization and move to centralization and concentration of its retail chains for developing efficiency of operations. Kazakhstan, on the other hand, is following the path taken by Poland quite closely. The government of Kazakhstan is actively implementing its trade development plan which was adopted in October 2010 (Colliers International, 2012). The retail market is viewed as stable for several years and new shopping malls are being built around Almaty. It was predicted that by 2014, the total shopping area in and around Almaty would increase by 650,000 square feet.

7. Limitations and Future Research

This research is a macro level analysis of the relative retail developments in three countries, namely, Poland (a non-CIS country), Kazakhstan (a CIS country), and Ukraine (a former CIS country). All three countries have gained their independence from the Soviet Union and from the Soviet sphere of influence known as the Eastern Bloc in the late 1980s. We posit that environmental influences play a critical role in retail development both in terms of quantitative and qualitative issues. The quantitative issues included overall sales, product category wise sales, channel wise sales, overall employment, and so on. The qualitative issues examined were internationalization/presence of foreign retailers, product assortment/brands, and so on.

We recognize that our research study covers a limited number of quantitative and qualitative indicators of retail development. There are several other variables that are relevant for comparison of retail developments. Further research can include variables, such as share of private sector, share of foreign capital, market share of top 5 or 10 retailers, share of modern trade, share of internet trade, and so on. Including specific quantitative data on the above indicators will allow us to assign the countries more precisely to one of the 4 phases of retail development framework discussed by Karasiewicz and Nowak (2010) as previously discussed.

Longitudinal studies of such data will provide insights into the dynamics of retail development corresponding to the changes in the environment. Future research can also be directed to the development of composite indicators (based on various variables included in current research plus other indicators identified above) of retail development in the transition economies.

There is also a need for micro-level studies dealing with specific product categories and focusing on specific market segments. Such micro-level studies provide deeper and more specific insights into challenges of retailing in these three countries, which definitely is one possible area for future research. Another interesting future research area is to compare the marketing/retailing strategies of foreign versus domestic retailers.

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