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# SUPPORT OF FOOD RETAIL AND SELECTED COMMERCIAL SERVICES IN THE SOUTH MORAVIAN REGION

## Podpora maloobchodu s potravinami a vybraných komerčních služeb na území Jihomoravského kraje

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**Annotation**

*This paper submits an investigation overview of the survey, which is related to the topic of retail and commercial services in the South Moravian Region. This paper is focused on the issue related to the support of retail and commercial services from municipalities. Therefore, the presented article includes an analysis of the support which is held by municipalities. The purpose of the paper is to present a brief analysis of the situation in distinct municipalities in the South Moravian Region to municipalities that are considering the support of their retail and services. The paper could be used as a model of the questionnaire for follow-up research, which would aim on evaluation of development of retail and services. Descriptive methods were used in the process of questionnaire survey evaluating, especially the occurrence statistics (frequency analysis). The methods of comparison and analogy were used in the process of literary research. It turned out that many inquiries related to this topic were already carried out in the South Moravian Region before writing this paper. Available data showed that approximately a quarter of South Moravian Region municipalities supports retail and services in their area.*

**Key words**

*retail, commercial services, South Moravian Region, amenities, commuting*

**Anotace**

*Cílem příspěvku je předložit přehled šetření, které se týkají tématu maloobchodu s potravinami a služeb v obcích Jihomoravského kraje, je představit šetření, které bylo provedeno v roce 2018 a diskutovat jeho reprezentativnost. Vyhodnoceno není celé šetření ale pouze otázka týkající se podpory maloobchodu a komerčních služeb ze strany obcí. Součástí předloženého článku je proto analýza této podpory. Smyslem příspěvku je předložit obcím, které uvažují o podpoře maloobchodu a služeb stručnou analýzu stavu v ostatních obcích Jihomoravského kraje. Pro případný navazující výzkum, který by měl za cíl vyhodnocovat nejenom stav maloobchodu a služeb ale i jeho vývoj, pak může příspěvek posloužit jako vzor dotazníku. Byly použity deskriptivní metody, zejména statistika výskytu (analýza četnosti) při částečném vyhodnocení provedeného dotazníkového šetření. Při práci s literaturou byla použita metoda komparace a analogie. Ukázalo se, že na území Jihomoravského kraje v minulosti proběhla řada šetření, které se týkají řešeného tématu. Z dostupných dat vyplynulo, že přibližně čtvrtina obcí Jihomoravského kraje podporuje maloobchod a služby na svém území.*

**Klíčová slova**

*maloobchod, komerční služby, Jihomoravský kraj, vybavenost, dojíždka*

**JEL classification:** O12, X12

## 1. Introduction

Without doubt, the support of countryside trade and commercial services is currently a discussed topic in many places in the Czech Republic. It is an important issue, because the basic amenity is necessary to satisfy the needs of socially vulnerable people (seniors, residents without the possibility of individual car traffic). In particular, the sustainability of retail outlets in smaller municipalities (which have less than 500 inhabitants) is being discussed a

lot. Grocery stores or restaurants satisfy both the need of shopping and using services, and they are often one of the main places for meetings and thanks to that they play an important role in the social life.

The tendency of supporting the mentioned services is rising on all levels – state, regional and municipal. Municipalities that decide to support retail and services proceed according to the Act on Municipalities No. 128/2000 Coll. which sets that municipalities autonomous competences include the matters that are established in the interest of the municipality and its citizens. It is appropriate to target any subsidy support as good as possible in intention to bring the best possible effects. Therefore it is necessary to base on analytical background in order to make arbitrating easier for the political leaders.

The distribution of amenity and commuting to retail and services is greatly influenced by several regional factors: the residents have new possibilities of alternative food purchasing (Spilková, 2018), thanks to which the purchasing behaviour of residents is changing. Amongst particular rural areas there can be found many disparities (Benedek, Kinga, 2018); the countryside is dealing with aging (Mladek et al., 2018), moving out (Patay, 2018). The amenity and commuting for a purpose of retail and service is strongly affected by work commuting (Tonev et al., 2018).

The aim of this paper is to present an overview of the survey which is focused on the topic of food retail and services in municipalities in the South Moravian Region and to present the survey which was carried out in 2018 and discuss its representativeness. Due to the size and nature of the paper, only the question of support of retail and commercial services by municipalities is evaluated. The presented article includes an analysis of this support.

The purpose of the paper is to present a brief analysis of the situation in different municipalities in the South Moravian region to municipalities that consider the support of retail and services. The paper could be used as a model of the questionnaire for follow-up research, which would aim on evaluation of development of retail and services.

## 2. Government interventions in the economy

Advocates of government (public administration) interventions in the economy argue that there are phenomena that depart the economy from a perfectly competitive balance, which leads to a situation, in which the market does not produce pareto-efficient output. (Kinkor, 1996) Stiglitz (1997) describes phenomena that cause market failures. These include competition failure, the existence of public goods, the incomplete market, the existence of externalities, lack of information, unemployment and economic cycles. Stiglitz (1997) argues that government interventions are being done because of these market failures. Kinkor (1996), who is one of the main opponents of government interventions, sees the main arguments of advocates of government interference in the existence of externalities and public goods, stating that the classical tool for remedying externalities is the Pigouvian tax or subsidies. In the case of so-called 'clean public goods', the state should be responsible of their funding. According to Peková et al. (2012) the ideal market environment does not exist because of the existence of public goods, externalities, natural monopoly, information asymmetry, changing preferences of market participants and neglecting of the future. Proponents of government interventions often remind welfare economy that is associated with so-called social benefits and which addresses normative issues.

Practical cases of the role of public administration in retail and services can also be seen from specific case studies and situations. For example, Erkip and Ozuduru (2015) discussed the factors that make shopping streets and markets competitive in shopping centres in Turkish cities. In their results, the authors argue mainly about the role of government (especially local) in the regulation of retail. They criticize the fact that local governments focus on short-term profit rather than on the long-term sustainability of retail and services. The lack of spatial planning by the government in the region is causing the vulnerability of Turkish cities against to the market forces.

In the UK, according to the conclusions of Chesire et al. (2014), a stricter spatial planning policy leads to existence of fewer retail stores and less sales in given locations. For example, Peiffer-Smadja and Torre dealt with the issue of land grabbing efficiency and the role of government in spatial planning. One of the factors of the shopping centre location is transport accessibility and public transport, which can also be influenced by the actions of government. (Ronse et al., 2015) Government also played a role in privatizations in former Eastern Bloc countries. On the example of Poland, Dawson and Henley (2015) address the situation and impact on retail deployment.

### 3. Current state of survey of retail and services in the South Moravian Region

During 2018, a questionnaire survey was conducted among the municipalities in the South Moravian Region. The questionnaire survey was focused on two main areas:

- commuting to retail food and selected services in the South Moravian Region
- amenity of municipalities in the South Moravian Region

The choice of the form of the questionnaire was based on time comparability from the current state of commuting to retail and services and municipal amenity in the South Moravian Region. The South Moravian Region carried out a survey of municipal amenity in 2002 and 2012. Commuting to retail and services at municipal level was examined in 2005 as a part of a research project supported by the Grant Agency of the Czech Republic No. 402/04/0535: CR (2004–2006). Already in 1988, Maryáš conducted a survey, which determined the regional retail and service centres in the Czechoslovak Socialist Republic and their spheres of influence. The form of the survey of retail and services in the South Moravian Region in 2018 was created according to the previous surveys. In the case of commuting to retail and services, there were found three ways of commuting - prevailing (regular), partial (less frequent) and exceptional (infrequent). At municipal level people usually need to commute because of:

- Daily Shopping (Food, Drugstore)
- Purchase of clothes and shoes
- Purchase of common goods (electronics, bicycles, sporting goods, household goods, etc.)
- Shopping for furniture and home accessories
- Purchases of specialty goods (watches, jewellery, cars, etc.)
- Common services (hairdresser, shoe repair, car repair, etc.)
- Special services (photo studio, massages, manicure, wellness, etc.)
- Visits of restaurants, wine bars, bars

Questions about the amenity of municipalities in a total of 29 types of amenities followed. There were represented different kinds of amenities - from the amenity of basic shops and services to higher types of amenities.

**Tab. 1: Current state of survey in the case of commuting to retail and services and amenity of municipalities in the South Moravian Region**

Type of amenity	Type of amenity
Grocery store – over the counter sale	Gym
Grocery store – self-service shop (COOP, Jednota..)	Furniture store
Supermarket, discount	Jewellers
Mobile grocery store	Hairdresser
Mobile shop with selective grocery (butcher shop, greengrocery..)	Shoemaker
Drugstore	Car repair
Greengrocery	Photo studio
Butcher shop	Indoor swimming pool
Bakery	Wellness (sauna, whirlpool)
Clothing store	Restaurants
Shoe shop	Pubs, taverns
Electronic store	Cake shop / cafeteria
Sporting goods store	ATM
Building supply store	Cashback
Household store	

Source: own processing

Additional questions which occurred:

- does municipality support the food retailing and commercial services
- is there a retail or service facility which is owned by an entrepreneur of Asian (mostly Vietnamese) origin

#### 4. Questionnaire survey of retail and commercial services in the South Moravian Region in 2018

In the first round, all municipalities in the South Moravian Region were addressed by email. The survey was addressed directly to the mayor of the municipality. After the first round of addressing at the beginning of 2018 approximately 95 municipalities responded (14.1% return). A total of 150 municipalities responded after the second round of the address (22.3% return). Further rounds of survey followed. The number of questionnaires obtained slowly decreased and stopped on total 239 municipalities (35.5% return). The intention was to obtain representative data of the entire territory of the South Moravian Region and to avoid deliberate selection of municipalities for the survey. To increase return a telephone subsequent survey was planned. The size categories of municipalities and the geographical location of municipalities were observed. Return did not differ much between individual size categories. Therefore, the size category of municipalities was not important in the subsequent survey. In the geographical position of municipalities, the return rate was quite different. Return is a very subjective process that depends on the human potential of workers / employees of municipal authorities. The highest relative return was achieved in SO ORP Kyjov, Břeclav and Hodonín, partly due to the small size of SO ORP Břeclav and Hodonín. On the other hand, the lowest relative rate of return was recorded in SO ORP Blansko, Rosice and Židlochovice. Therefore, due to the relative and absolute return, a telephone survey of randomly selected municipalities took place mainly in SO ORP Boskovice, Znojmo and Blansko. On the contrary, there was no further contact with municipalities in SO ORP Břeclav, Hodonín and Kyjov. The survey was carried out in order to improve the achieved results and to increase their representativeness.

**Tab. 2: Returnability according to the size of municipalities**

Size category	Return by email (%)	Return after telephone subsequent survey (%)
0-200	37.4	55.1
201-350	36.4	60.9
351-500	37.3	62.7
501-750	42.6	60.4
751-1000	32.1	64.2
1001-2000	31.7	51.0
2001 and more	30.2	48.8

Source: own processing

**Tab. 3: Returnability according to the territorial position of municipalities**

SO ORP	Return by email (%)	Return after telephone subsequent survey (%)
Blansko	38.0	60.0
Moravský Krumlov	36.4	63.6
Boskovice	32.6	51.2
Pohořelice	38.5	61.5
Břeclav	27.8	61.1
Rosice	25.0	50.0
Slavkov u Brna	38.9	55.6
Bučovice	55.0	60.0
Šlapanice	22.5	57.5
Hodonín	27.8	50.0
Tišnov	32.2	54.2
Hustopeče	32.1	50.0
Veselí nad Moravou	36.4	54.5
Ivančice	35.3	52.9
Vyškov	41.5	56.1
Kuřim	60.0	80.0
Znojmo	32.4	52.3
Kyjov	31.0	64.3
Židlochovice	16.7	54.2
Mikulov	52.9	58.8

Source: own processing

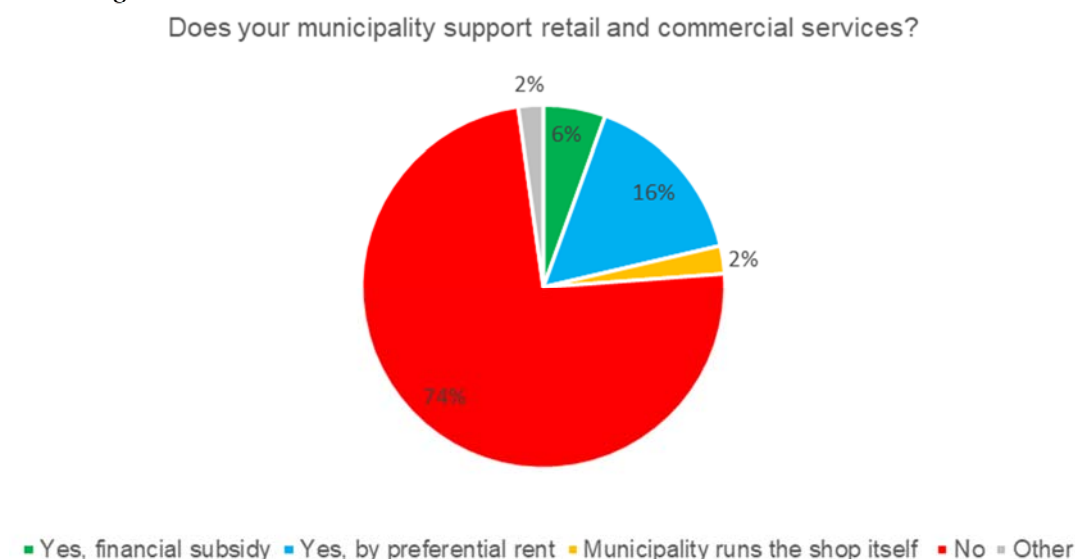
## 5. Support of retail and commercial services by municipalities and the South Moravian Region

The aim of this paper is a partial evaluation of support of food retailing and commercial services by municipalities. The evaluation of other areas of the survey is going to be a subject for further research. Together, 363 municipalities answered the question "Does your municipality support retail and commercial services?" (see Fig. 1.) The majority (74 %) answered they did not. 16 % of municipalities answered that they support it by a preferential rent for private entrepreneurs. Some municipalities (6 %) provide direct financial support to private entrepreneurs. Some municipalities (2 %) run the shop themselves. The municipalities had the opportunity to express if they provide another form of support - the following forms of support occurred:

- municipality plans to run the shop itself (2x)
- the municipality plans to buy the shop and start running the shop itself
- marketing, advertising
- the municipality representatives shop(s) when organizing local events (3x)
- the municipality purchased equipment for the local shop(s)

Thus, a quarter of the municipalities in the South Moravian Region somehow support retail and commercial services.

**Fig. 1: Support of food retail and selected commercial services by municipalities in the South Moravian Region**



Source: own processing

The amount that municipalities give as a direct financial subsidy for private entrepreneurs varies from CZK 12,000 to CZK 150,000 per year. The average amount per municipality is CZK 61,619 per year. If municipalities chose the possibility of providing preferential rent to the entrepreneurs, in the follow-up question they were asked to estimate how high the relief was they provided to the entrepreneurs per year. Since many buildings had no other than the rural shops for many years, it was very difficult to estimate the annual relief for municipalities because municipalities were not able to imagine how much they could demand for the building in case they would rented it commercially. However, from the municipalities that were able to respond to this question, the reported amount ranged from 3,000 a year to 140,000 a year. The average relief per municipality was CZK 31,829.

In the survey, there was also mentioned a possibility of cofinanced subsidies by the South Moravian Region for a purpose of municipalities supporting. In 2019, a subsidy program called "Support for the Operation of Rural Shops" was announced and CZK 2,000,000 were allocated to it. The applicant has to be a municipality with less than 750 inhabitants and the shops that can get be chosen have to be a loss-making shops. The minimum amount of the subsidy is 25,000 CZK, the maximum is 70,000 CZK. The maximum subsidy rate can reach 50% participation. Shops that are owned by both the municipality and the private entrepreneur may also request for the subsidy. Smaller municipalities, shops with longer opening hours or a wider range of goods and municipalities located in the economically troubled region are favoured.

## 6. Conclusion

In the past, series of surveys concerning retail and services in municipalities have already been carried out in the South Moravian Region. The Retail and Services Survey in the South Moravian Region responds to the situation in 2018 and follows up the survey to capture development of the situation. Its evaluation will be the subject of follow-up research. It turned out that approximately a quarter of the municipalities in the South Moravian Region support retail and commercial services in their territory, mainly by a preferential rent. There are also units of municipalities that support retail and services in a specific way, e. g. by marketing or purchasing equipment.

The paper showed that based on the conclusions of government interventions, the public sector support of the commercial sector exists. However, it has not been confirmed at the municipal and regional level that the public sector has also supported the sustainability of retail and commercial services, e. g. by spatial planning or improving transport accessibility and public transport.

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