

# Reconsidering Places and Spaces in Retail Business

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DOI: [10.29180/978-615-6342-76-8\\_24](https://doi.org/10.29180/978-615-6342-76-8_24)

## Abstract

Our study points out the role and importance of geographic and digital spaces in terms of commercial company strategies. The purpose of the analysis is to shed light on the business challenges caused by the technological and social space revolution of the past decades from the point of view of spatiality. In order to highlight the importance of online and offline spaces and their impact on the sales and location strategy, in our study we analyze the main characteristics of each sales space separately, chronologically. The findings of our synthesis point out the importance of developing space-oriented, space-bound location and distribution strategies in order to achieve and maintain business success. Our most important conclusion is that today's retail strategy is a strategy integrated both online and offline, as a result of which retail companies are able to implement the omnichannel marketing concept.

**Keywords:** space, sales, online space, offline space, location, distribution, omnichannel marketing

## Introduction

The „shop” form of retail, as we know it today, is the product of the 19th century, its rapid development started then, alongside with industrialization and urbanization processes in the most developed countries of the world (Sikos T. – Hoffmann, 2004).

However, the location issues of the sale and purchase transaction go back to much earlier times, as old as the appearance of the exchange. In our study, we introduce how the areas and places where products are bought and sold have gone through an evolutionary process, starting from "simple" geographical location problems how we arrive to today's digital world, from the ancient agoras to the digital marketplaces of social media and metaverses.

In our study, we provide an analytical evaluation of the spatial representation of retail transactions, pointing out the impact of the "spatial revolution" and "spatial turn" of the past decades on the change in retail sales models, also considering the depictable changes in customer behavior. Our approach is applied business science, regional science (social spatial science), and also applies the models and thinking of classical and postmodern geography.

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## **The importance of spaces and places in commerce**

Spatial aspects of sales processes have always played a key role in trade due to their strategic importance. The business location, the geographical location of the transaction, was decisive even in the most ancient forms of sales (e.g., marketplaces), since it was here that the seller and the buyer met, that is, in a figurative sense, demand and supply (Cliquet, 2020). The evolution of commercial formats and the appearance of larger and larger, and more complex commercial centers (shopping centers, hypermarkets) made the question of location even more important. The ever-increasing investment costs of large-scale commercial facilities have focused even more attention on the importance of identifying the optimal commercial location. Today's "classic" models of optimal site selection (Christaller, Lösch, Berry) date back to the first half of the century (Sikos T., 2000).

The "spatial revolution" of the new millennium have resulted in the appearance of new spaces on the one hand (e.g., online space, social media space), and, on the other hand, new spatial discourses have also started in social sciences (postmodern spatial interpretations) (Berki, 2015; Faragó, 2019).

The evolution of "spatial existence" and the appearance of new spaces and places had a significant impact on trade and the spatial distribution of goods in both trade and marketing theory (Kovács, 2017). Not only have new sales channels appeared in recent decades (online, mobile, etc.), but increasingly complex space-focused business, marketing and sales strategies have become necessary. The omnichannel concept does not only optimize the spatial path of goods, but also coordinates channel policy, communication, database marketing, market analysis and other related marketing areas in order to achieve the highest possible customer satisfaction and customer experience (Sikos – Kozák – Kovács, 2020).

In the next part of our study, we discuss the importance of "classic" and modern spaces from the point of view of corporate commercial and sales strategies. We aim to point out the importance and specificity of each "spatial layer" and "spatial narrative" from a retail point of view. Due to limitations in length – obviously – we only highlight the most characteristic features of each space.

### **The "classical" spatial world - the problem of optimal geographical location**

To date, the "classical" geographical space is of decisive importance in the delivery of products and services from producers to consumers. The geographical (external) space (Nemes Nagy, 2009), its elements, the hierarchies and distances between them fundamentally influence the success of commercial enterprises.

In trade, the geographical space is the "receiving medium", in which, on the one hand, businesses determine the (thought to be) optimal locations where they organize the sale of products, and on the other hand, they build the distribution system with the help of which the goods – with the cooperation of various market players – are delivered from the producers to the consumers. Geographical spaces are the most "rigid" spatial worlds, and when defining the sales strategy goals of businesses, the greatest care must be taken here, since the success of stores connected to the above-mentioned space in the long term, depends on the capabilities (purchasing power) of the market (business catchment area) directly surrounding them. Quoting Pál Beluszky, "the settlement network is a system with a slow response" (2007 p.721) that is, a

possible wrong location choice can negatively influence the business success of the enterprise in the long term.

Today, one of the biggest disadvantages of retailers operating in a geographic area ("brick and mortar retailers") is that they are tied to their location, consequently, they can only attract customers from the catchment area available in physical space. In today's increasingly intense market competition, these geographic catchment areas are getting smaller and smaller, while more and more businesses "share" them. Furthermore, with the emergence of new online sales channels, the purely single-channel business model is becoming less and less competitive.

Nowadays, even the smallest market players (e.g., sellers of local, short food chains) implement a multi-channel sales strategy: in addition to traditional store/market sales, they also conduct traditional online (webshop-based) or social media sales, thus increasing their market presence and expanding their markets in the (online) space.

In the next parts, the specifics of online market forms, from the "classical" webshop-based sales to the most modern social media-based models will be discussed.

### **The rise of new digital horizons**

With the advent and spread of the Internet, the first online retailers appeared on the market in the late 1990s (e.g., Amazon), and in the past three decades, a large number of retailers have started operating on many different platforms using a large variety of business models. Based on the European Union's 2016 Guidance on the implementation/application of Directive 2005/29/EC on unfair commercial practices, we distinguish the following eight business models:

- Search engines (e.g., Google, Yahoo!)
- Social media (e.g., Facebook, Twitter)
- User review tools (e.g., Tripadvisor)
- Comparison tools (e.g., Trivago.com, Rentalcars.com, Kayak.com, Booking.com)
- Collaborative economy platforms (e.g., Airbnb, Uber, BlaBlaCar)
- E-commerce platforms (marketplaces) (e.g., Zalando, Amazon, Alibaba, Ebay)
- App stores (e.g., Apple App Store, Google Play, Amazon App Store)
- Collective buying websites (e.g., Groupon)

According to data provided by GKID, in 2022 in Hungary alone, the approximately 32,000 online stores had a turnover of HUF 1,323 billion, which comprises 9.4% of total retail sales. The fact that in 2022 the growth rate of "traditional" retail – for the first time in many years – significantly exceeds the growth rate of online retail (*Figure 1*), draws attention to the limitations of online trade.

**Figure 1:** Dynamics of Hungarian total and online retail turnover period of the previous year=100%



**Source:** authors' own edition based on the data of GKID, Digital Retail Landscape 2023/I. <https://ekerkutatas.hu/>

These facts also support the fact that the customer of the third decade of the 20th century is no longer considering whether to shop in a store or online but is looking for complex online and offline solutions available throughout the entire customer journey that increase customer satisfaction and customer experience (CX) as much as possible. In other words, there is interoperability between online and offline channels, ideally at every point of the customer journey we can switch from online to offline and back, depending on where we are in the physical space, and which one is more favorable for us in some way.

### Connecting the online and offline worlds

It also follows directly from the above that digitization does not necessarily mean that we are separated from the geographical space. Today's trade is increasingly characterized by a blended geographical (physical)/digital (so-called "phygital") presence, a new challenge that is no longer an important task for large international trading companies only, but also affects domestic SME retailers at least as much, since customer expectations are growing dynamically: in addition to a wide selection of goods and reasonable prices, the speed, convenience and simplicity of accessing products is also an important decision factor. This is closely related to the retailers' site selection and customer service policy, meaning that location and distribution have become one of the defining elements of customer satisfaction and CX these days.

Retailers are trying to satisfy these increased and increasingly diverse needs with new solutions such as cross- and omnichannel sales models, where multi-channel sales are connected at many points: we can order from webshops for in-store pick-up, but after checking out a product in the store, we can continue shopping online, even buying it from a competing online store.

The concept of marketplaces is also being reinterpreted in this complex, hybrid space world, online communities can be formed linked to a given geographic location, the best example of

which are Facebook groups, where business transactions can be made related to a given settlement or region, either on the C2C (customer to customer) or B2C (business to customer) markets. Such groups can be: Budaörs give-and-take, Pest county give-and-take, etc. It is an interesting fact that the communities originally intended for the C2C market are increasingly being used by micro and small businesses for which this channel (e.g., Facebook Marketplace) will be their primary sales and communication channel.

Another interesting marketing-theoretical addition is that in the world of digitalization and multi-channel sales and integrated marketing communication, the boundaries between marketing strategy elements such as sales/distribution policy (place) and communication policy (promotion) is getting increasingly blurred. The aforementioned Marketplace is both a sales channel and a communication interface, similar to Booking.com, which can also be considered a sales "place" and a communication (advertising) platform at the same time. But with a QR code placed on a poster, the poster itself is not only a communication tool, but also an element in the sales channel at the same time.

A good example of how much digital communication can depend on place (location) is GPS-based advertising (especially important in mobile communication), since the world's largest search engine Google also ranks relevant results by taking location into account, and Google maps also shows nearby shops based on this.

With the few selected examples above, we have shown the diversity of connections between digitalization and geographical space, however, we must dedicate a separate section to the places and spaces of social media, because these are the platforms that (also) play a decisive role in retail sales today and will do so in the near future.

### **Social media: the specific spaces of and social commerce**

Along with the increase in the number and popularity of social media platforms, it is almost obvious that users (including brands) have started using them for buying and selling, so in fact social commerce is simply where social media meets e-commerce (smarterdigitalmarketing). So, the entire process from the discovery of the brand or product to the purchase takes place on one of the social media platforms.

Companies can benefit from the advantages of social commerce in the B2C sector. By the beginning of the 2000s it had already become obvious that customers trust customer reviews more than paid advertisements, and social media is the most obvious platform to share them. Ever since Yahoo in 2005 allowed users to "Pick List" products within the catalogue, rate them and then share the ratings and comments in the catalogue, the process has become unstoppable. User-generated content (UGC), is more effective in generating purchases than any form of advertising (Arula 2021).

Only two years later, social platforms already had their commerce features: Facebook launched the predecessor of the Marketplace, where users could advertise real estate and job opportunities, and in 2013, Instagram enabled sponsored posts, giving space to one of the biggest trends in social media, influencer marketing. Nowadays, practically every popular social media platform can be considered a digital marketplace, the benefits of which large commercial brands and retailers can enjoy, as well as private individuals (C2C). Brands with greater potential create communities on Facebook, links in posts redirect users to the virtual store, retailers can sell their products in closed groups specially created for this purpose (e.g.,

buy houses), while users can take advantage of the possibilities of f-commerce to advertise their unnecessary items on the Marketplace or in thematic groups.

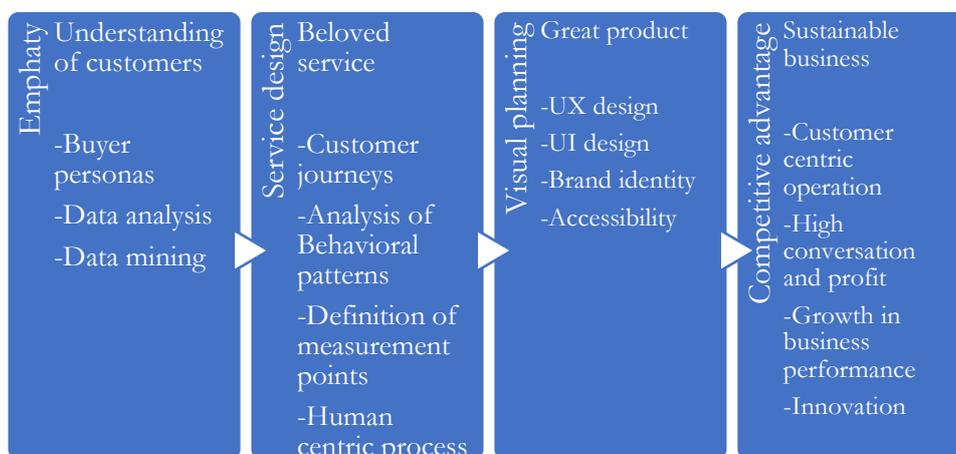
Each social media platform has its own characteristics, which derive from the platform's own characteristics and user habits. Facebook gave a special space to the C2C market, and in 2020 it also introduced the Facebook shop function for those with a business profile. Instagram, being the primary platform for sharing images and short videos, acts as a shop window or showroom in the digital space, where interestingly, users also sell used items, mostly clothes, in Instagram Story (#shopmycloset). Besides the Metaverse, YouTube also offers the possibility of shopping, connected to the Google Merchant Center, Pinterest has also made shopping possible via the webshop or the pre-loaded catalog. Live shopping function is available on Twitter. However, the biggest change is brought by TikTok, with its live commerce function, where the influencer presents the product live, which users can buy immediately. In such cases, the influencer also answers the users' questions, which process is very similar to the personal selling method of traditional marketplace sellers, only in the digital space.

### Strategic recommendations and conclusions

The space revolution taking place before our eyes has reshaped and is clearly and significantly reshaping the whole retail trade. Digitization has initiated reflexive processes that have caused significant changes on both the demand (customer) and supply (merchant) side of retail. These new challenges appear at all levels of retail, presenting a significant challenge to the players in the sector. Newer and newer technological and content developments, as well as constantly changing and increasingly sophisticated customer expectations, require serious improvements from all players in the sector, be they international large companies or SME retailers.

The omnichannel marketing concept summarizes this, which goes far beyond just channel policy or communication, because we are talking about a customer-oriented approach in which the "human-centric" way of thinking (buyer persona training, data analysis, testing), the service design way of thinking and tool system, product-experience planning and development all have an important place and role (Figure 2).

**Figure 2:** *Human centric approach in services*



**Source:** authors' own edition based on the data of Humanise Studio <https://humanize.studio/>

The companies that successfully take on the new challenges will be able to provide a customer experience that can contribute to keeping and increasing their market position in the long term, and at the same time, all this will lead to an increasingly higher level of customer satisfaction and experience for the customers, as they will be able to access the products they want more and more quickly, easily and simply when and where they want.

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