

## Geographic profile

Poland is located in the Central Europe. It borders with Germany in the West, Czech Republic and Slovakia to the South, Ukraine, Belarus and Lithuania in the East and with Russia to the North. The country has an access to the Baltic Sea to the North and mountains to the South. Poland is rich in natural resources.

## Population

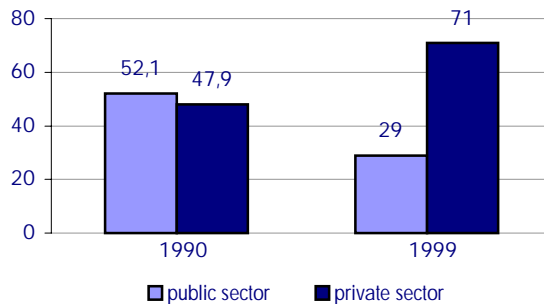
Population of Poland amounts to almost 39 million, which is the largest in Central Europe. 30% of Poles live in cities with over 100,000 inhabitants. The biggest Polish cities are: Warsaw the capital of Poland with nearly 2 million inhabitants, Łódź (812,300 inhabitants), the conurbation of Gdańsk, Gdynia and Sopot (756,400 inhabitants), Kraków (740,500 inhabitants), Wrocław (639,400 inhabitants), Poznań (580,000 inhabitants), Szczecin (419,000 inhabitants) and Katowice (366,800 inhabitants).

The Polish population is young. Half of people are under 33 years old and one third are under 19. The percentage of children and youth in the population is greater than in Germany or in Czech Republic. The average life expectancy for women is 77 years and 69 years for men.

## Labour market

The Polish labour market is one of the biggest in Central Europe with about 30 million people. Most of them are employed in the private sector. Dynamic economical changes and shifting from the public to the private sector caused increase in productivity, willingness to learn and responsibility. The Polish workforce has a reputation of well-educated, quick learning and flexible. Constant skills development, punctuality, responsibility, discipline and identification with the employer's company are the results of economic changes.

Fig. 1. Structure of employed persons by ownership sectors



Source: Statistical Yearbook, Central Statistical Office (CSO), Warsaw 2000

## Households

There are over 12.5 million households in Poland. Most of them are of 3 or less persons. Households made up of 3 or more people are rare in the cities and more frequent in villages. The traditional model of a four-person household declines.

## Household income

The average net income per capita in 1999 was 2,357 USD per year. The income of families living on retirement pensions was slightly higher than the average and was 2,743 USD per capita. Households headed by blue-collar workers experienced strong growth of disposable income and was slightly higher than for other population segments. In general, incomes in the cities are considerably higher than in the countryside.

## Consumers

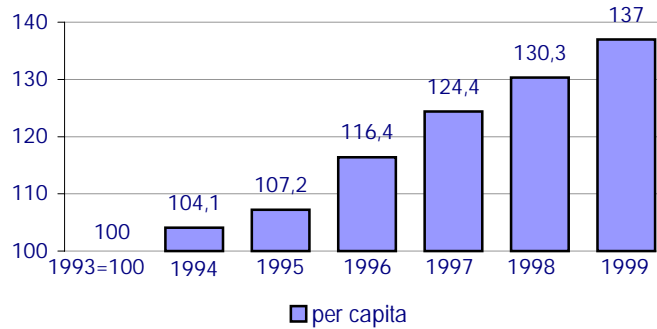
Poland is a vast market with almost 39 million of potential consumers. Young people are consumption oriented and influenced by fashion when choosing the brands they purchase. Older people are much more traditional. They prefer known and tested products in their purchases.

Women make up 51.4% of the population, the ratio remained almost unchanged since 1970's. Comparatively more women live in cities where for every 100 men there are 109 women. In the rural area the number of men and women is more balanced.

### Structure of consumer spending

It can be easily observed that the structure of Polish consumer spending is similar to Western Europe. The percentage of income spent on food items is decreasing in favour of other goods and services. Polish consumers are increasingly more spending on label products. Spending on home equipment and health services is growing especially fast. It is significant that individual consumption expenditure has been rising every year starting from 1993. The upward trend should last until Poland will reach the European Countries consumption level.

**Fig. 2. Indices of individual consumption expenditure of households sector in constant prices**



Source: Statistical Yearbook, CSO, Warsaw 2000

### Consumer durable goods

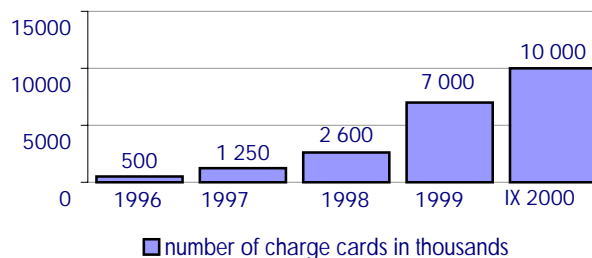
Since 1989 in Poland there has been a stable increase in wealth. This can be measured by ownership of household consumer durable goods. The number and quality of the goods possessed by households increased. The percentage of households owning a color T.V. set rose from 77.8 to 98.9, a VCR from 44.1 to 56.6, a computer from 8 to 11.5, washing machine from 55.6 to 70.2, car from 37.6, microwave from 4 to 14 during the period from 1993 to 1999. Low quality goods were replaced with modern and functional products.

There was also a considerable increase in the number of telephone subscribers. A mobile telephony has become very popular since 1996, when it started to operate. The number of mobile telephone subscribers amounted to 3, 956, 500 at the end of 1999. This is an important indicator of the improvement in living standards in Poland.

### Attitudes to money and financial products

Poles have changed their attitude to money. Many of them are likely to invest in some kind of enterprise. Only few believe that the safest place for savings is at home "under the mattress". Credit cards and cheques are becoming more and more popular. The number of charge card transactions is rising rapidly. There were 7 million transactions in 1998 and over 6 million transactions just in the first half of 1999. According to Visa International Poland is at the first place as for the dynamics of new credit cards issuance.

**Fig. 3. Number of charge cards in Poland**



Source: Polcard

The dynamic growth of the credit card holders is an argument for the opinion that Polish consumers are quickly adapting to innovations and new products.

**Buyer behavior and brand loyalty**

A purchase of a product is determined by two factors: price and the brand name. Young Poles are influenced by the brand name of a product, when they come from a city. They are less sensitive to a price than their parents and their coevals from villages. Price is a significant factor for women, people with secondary education, rural consumers, pensioners and blue-collar workers.

Promotions are very effective marketing tool. Half of purchases are made in various types of promotions. This is especially characteristic for women. Poles often look at products in stores even although they do not intend to purchase. Shopping has become a form of a family activity and a way of spending a free time.

**Consumer attitudes towards advertising**

Most Poles have a positive attitude towards advertising. It is seen as good source of information about products, trends and fashion. Poles admit that they are usually influenced by advertising when they choose products to purchase. Youth pay more attention to advertising than adults do. The influence of advertising on consumers generally depends on age, education and income level. Consumers with higher education and incomes are more willing to listen to recommendations, are more susceptible to the information and climate of advertising. Interestingly, younger and better-educated people with higher incomes are more sensitive to the emotional elements in advertising. Older or less educated consumers with lower incomes are more convinced by rational arguments in advertising.

**Influence of children on buyer behavior**

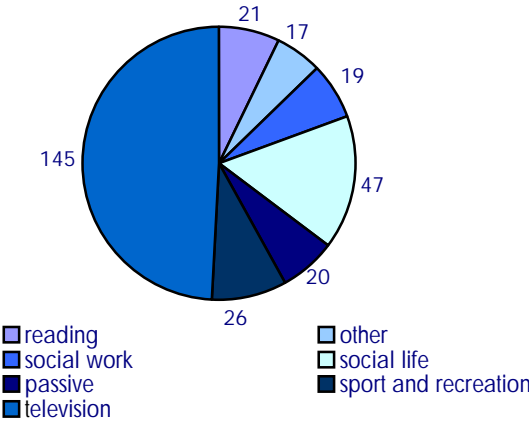
The size and influence of the younger generation on parents purchase decisions is considerable. Similar to the USA and Western Europe Polish children participate in the purchasing decisions of the family. Children not only decide on purchasing of children’s goods but also exert influence on purchasing of products for the whole family such as toothpaste, soap, sweets. Not all parents allow their children to make purchasing decisions. Generally young parents up to 24 are more tolerant in that matter.

**Leisure activities**

Poles have an average of 5 hours a day of free time. They usually spend their weekends at home watching television, which is the most popular way of spending free time. The television set is on also during most of the time spend at home, for passive viewing while doing other household chores.

When not watching television, Poles have an active social life. Women spend much more time on social work while men prefer to participate in sports and recreation, social life, entertainment and hobbies. Poles more often spend their free time outside the home. They visit friends, go to the pub or café.

Fig. 4. Daily use of a free time by activity (in minutes) in 1998



Source: GIME, Household Budgets, CSO, Warsaw 1999

After an expansion of multiplex cinemas this form of activity has become very popular in bigger cities. Bowling is another American way of spending a free time, which is likely to become as popular as multiplex cinemas.

### **Recreation and tourism**

Spending vacation time outside of the home has become popular in Poland. In 1994 more than 50% of the adult population in Poland stayed at home during the holiday season. This ratio is steadily falling. The Institute of Tourism estimates that by the year 2007 Poles will go on 130 million trips annually.

Poles frequently make foreign trips for business or family reasons. Most of the trips are made to neighbouring countries: Germany, Slovakia, Czech Republic.

Poland is an attractive country for foreign tourists. The Institute of Tourism has forecasted 100 million visitors in 2003. The number of tourists from non-neighbouring countries is steadily rising and is expected to reach 5 million in 2008. The main reason for coming to Poland are business and tourism while shopping has become less significant.

### **What are the most important facts about Polish consumer market?**

- Since Poland has the biggest population among Central Europe countries it is considerable consumer market when size is taken into consideration.
- Well educated, disciplined and flexible workforce with increasing productivity.
- Rising households income, which is likely to increase steadily until it will reach the European Countries level.
- The rising households income and falling willingness to saving results in higher consumption. The individual consumption expenditure of households sector has been increasing for several years.
- Polish consumers are quickly adapting to innovations, new products and are uncritically accepting American or so called "western" lifestyle.
- There are still some areas which offer plenty of opportunities because of the failure to develop in the past.
- Positive attitude towards advertising, choosing brands and products to purchase under the influence of advertisement.
- Polish customers are more often choosing products with brand willing to spend more money as brand means quality.
- Poland has a strategic location in the Central Europe, therefore is a perfect location for a company that is planning future expansion to eastern or even Baltic States markets.

### **How can PAIZ help you ?**