

# Retail development in the Republic of Serbia from consumers' perspective

## Развој малопродаје у Републици Србији из угла потрошача

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**Abstract:** Development and new trends in retail trade have changed the habits of consumers in Serbia concerning everyday purchases. This work has as its objective examination of the consumers, their habits and selecting a retail format. The survey was conducted on the territory of the two largest cities in the country in April 2017, and brought together over 200 consumers. The results show us that the neighborhood stores of large chains are the first choice for our consumers when it comes to everyday purchases, but what is interesting is the large percentage of those who buy in large supermarkets. As the criteria that influence their choice, participants listed proximity and low prices, as well as the actions that they cannot expect from small independent operators. In addition, there are quite marked differences between consumers with higher and lower monthly income, which is reflected in the selection of the object itself, but also the criteria that affect their decision about where to do shopping.

**Keywords:** retail, consumers' profile, decision-making criteria

**Сажетак:** Развој и нови трендови у малопродаји променили су навике потрошача у Србији приликом обављања свакодневне куповине. Овај рад као свој циљ има испитивање потрошача, тј. њихових навика и одабира малопродајног формата свакодневне куповине. Истраживање је спроведено на територији два највећа града у нашој земљи, у априлу 2017. године, и окупило је преко 200 потрошача. Добијени резултати нам показују да су „мале комшијске продавнице великих ланаца“ први избор наших потрошача када се ради о свакодневној куповини, али оно што је интересантно јесте велики проценат оних који купују у великим супермаркетима. Као критеријуме који утичу на њихов избор наводе непосредну близину и повољне цене и акције које не могу очекивати у објектима малих независних субјеката. Поред овога, постоје јасно изражене разлике између особа с вишим и нижим месечним примањима, које се одражавају на одабир самог објекта, али и критеријума који утичу на доношење њихове одлуке о томе где ће обавити своју куповину.

**Кључне речи:** малопродаја, профил потрошача, критеријуми одлучивања

## Introduction

Commercial Revolution and the changes it brought is our present; there are not just traditional marketing channels anymore, but increasingly there is an intersection and creating multichanneling, followed by omni-channel retail. The question is how marketing channels are organized today, and how they will develop in the future: one thing is certain - digital revolution is here and took its toll, and we should expect

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development towards new technologies. The initiators of these changes are the consumers themselves, their needs, desires and changes in their behavior. The global trend of development of the multichannel sales channels came to our country, and a growing number of chains intersect several ways of sales in their operations, eager to please their consumers. The number of Serbian consumers who buy products via the internet and mobile stores is growing and sales through these channels are growing from year to year: therefore, an increasing number of chains are investing in the development of these sales channels and we should expect their further growth and expansion in the future. Many studies were devoted to the changes in the marketing channels and their future development, but the question is who are these new consumers who seek various forms and channels of informing and purchasing, and how to assess their needs, desires, and values to which they aspire. In accordance with this, we set the basic goals of this paper:

- examining habits of consumers and the significance that certain retail formats have for them,
- determination of the profile of the consumer depending on basic demographic characteristics within certain retail formats,
- assessment of future development trends in retail and connecting with already mentioned consumers' profiles.

These objectives were investigated on the territory of the two largest cities in Serbia through primary investigation of 206 respondents in April 2017.

## **1. Literature overview**

Numerous authors wrote about the development trends of retail in Serbia and already present digital channels, with an emphasis on changes in consumer behavior. Retailers have become leaders of marketing channels, as they are in direct communication with consumers, and know their needs and desires. Buyers operate under various constraints and occasionally make choices that give more weight to their personal benefit than to benefit of the company (Kotler & Keller, L., 2012). The advantage is on the side of those retailers which recognized changes on time and adapted to them. Food retail sales are one of the most popular, and the most suitable format for internationalization (Lovreta, 2009). This is precisely the reason why food retailers are the focus of this research; they are the first to bare burden of change and adapt their business to the new market conditions. But of course there are many differences in the dynamics and development of progress of different formats, and the transition from traditional to modern formats.

Numerous studies have confirmed that cultural environment can significantly influence the construction of structures and strategies of international marketing channels (Lovreta, Končar & Petković, 2011). Serbia is a country in the process of

transition, and as such it is behind the countries of Europe, and the environment. The privatization and the transition from traditional to modern formats is very slow, electronic and mobile systems have experienced expansion only in the last years, though is likely to continue their growth. Marketing and economic advantages are mainly on the side of the contemporary retail system which, in addition to providing benefits to consumers, achieves proportionally better results to the business (higher average transactions, turnover per employee, etc.) (Lovreta, Končar & Petković, 2013). Modern systems are a part of large chains that have at their disposal huge amounts of capital to invest in CRM and consumer retention. These systems have the advantage because of the experience they have with other markets, as the process of globalization and internationalization leads to horizontal and vertical expansion of these systems. Euromonitor International has published an article in which traditional retailers account for 53% of the market share ("Grocery Retailers in Serbia", 2015). This just confirms how much our country is lagging behind the developed and the representation of modern formats only three years ago. According to the GfK study from the same year, small grocery stores are the dominant format, while modern super and hypermarkets account for only 30% of the market ("FMCG Market Searching for Growth", 2015). Both research from 2015 showed a devastating result in the era of globalization and digitization; we are far from world trends, lagging behind the developed systems for years. Development trends presented in last years are good, but insufficiently fast; consumers have adapted to the new changes, but the question that remains open is what they pay attention to when buying on an everyday basis. This is only one of the fields that we will explore in this paper.

Another advantage of modern versus traditional retail systems is creation of the electronic, mobile shops. Electronic marketing channels offer a package of services through which it provides easier and faster access to a large number of products, increased time availability of purchase (a full 24 hours), shopping on the global electronic market as well as the relatively high level of professionalism and courtesy in the consumer service (Končar & Vukmirović, 2011). Another important thing that electronic channels bring is huge databases that record shopping, weather, range, consumer habits. Please the consumer and target it precisely with certain categories of products and services preferred at the time that suits him is a huge advantage.

At the end of the day consumers are the ones who make decisions on the selection of a retail outlet, usually motivated by different factors. Retailers are judged on the range, availability, quality, and ease with which consumers can access and use the various services to offer (Berman & Evans, 2010). Factors of motivation depend on the consumer, and are a result of their habits, needs and desires, but also their social and socio-economic status. Accordingly, this paper is based on an examination of consumer habits within the various retail channels, monitoring of the share modern

channels have in everyday consumption and whether they are equally represented among all groups of consumers.

## **2. Material, hypothesis and methodology**

### **2.1. Material and methodology of the research**

The research was conducted on the basis of a questionnaire. 206 respondents in the territory of the two biggest cities in Serbia, Belgrade and Novi Sad, participated in the research. The questionnaire created for this study consisted of the following parts:

I. The first part of the questionnaire related to the socio-demographic characteristics of the respondents (gender, age, education, occupation, monthly income and average monthly consumption).

II. The second part of the questionnaire related to the selection of the place of everyday purchases. Respondents were supposed to choose one of the offered types of retail formats (small neighborhood shops of independent type are not part of large chains, neighborhood shops of large retailers, supermarkets, hypermarkets and online shopping) where they perform their everyday purchases.

III. The third and final part of the questionnaire consisted of factors that influence the choice of the retail formats used for everyday purchases. In this part of the questionnaire, participants chose between one of the answers: the immediate vicinity, time-consuming; affordable prices; frequent promotions and discounts; a wide range of products; habits, have long shopping experience there; friendliness of the staff, personal relations with the staff; other.

The questionnaire was deliberately formulated in this way, targeting the two duvet areas where modern retail formats should dominate. Respondents were surveyed and these were consumers of different occupations, age, income, education, etc. with the aim of obtaining a representative sample. Such research will be only the first in a series of habits investigations, consumer profiling within different retail formats and testing their preferences.

Such a questionnaire will be processed quantitatively using the SPSS statistical package, all with the aim of obtaining correlation between its parts and detecting trends, and the future development of the legality. Quantitative research is by its nature tricky, carried out in order to understand the effects different promotional inputs (input), leave the consumer, thereby enabling the bidders to “predict” consumer behavior (Schiffman G. & Kanuk, 2004). Only those retailers who are able to predict the behavior of consumers will be able to meet their needs and desires. High-quality analyses and drawing valid conclusions and forecasts on the basis of information from a large database of consumers is probably the most valuable asset that any company today may have.

## 2.2. Research hypothesis

After all this, review of the trend of the future development of the theoretical aspect, explanations of questionnaire and the method on which we conducted this research, it is necessary to set valid hypotheses that are guiding to the answer and achievement of the set objectives. Formulated hypotheses are:

- H1: A higher percentage of respondents do everyday purchases in modern retail formats.
- H2: There is a statistically significant sample of respondents who conduct their shopping online.
- H3: Younger shoppers, especially females, are more prone to shopping in large supermarkets / hypermarkets and they spend less money than people their age with the same income buying in other retail formats.
- H4: People with higher average spending spend more money in modern forms of retail outlets and the opposite, people with lower monthly average spending are more likely to purchase in the traditional objects.
- H5: Selection of stores to perform everyday purchases is largely associated with the location and the close proximity.
- H6: Younger people are more prone to higher monthly consumption and purchase of “expensive” products, in order to save time.
- H7: Males are more prone to the aforementioned purchase of “expensive” products in buildings that are located in their immediate vicinity to save time.
- H8: Older consumers are searching for promotions and discounts; to them, proximity does not play a decisive factor when choosing a retail store to perform everyday purchases.
- H9: Consumers with lower monthly income are searching for promotions and discounts, low prices, and this is the factor that has a crucial role for them; they do not choose objects out of habit or because they are in close proximity.
- H10: Consumers with higher monthly income have proximity and location as their main motivator when choosing retail store.

These hypotheses will serve as a guideline to obtain answers and discover habits of respondents in everyday purchases. In the next part of this article we will look at the results and be able to reject or confirm them.

### 3. Results

The research conducted on the territory of two urban centers, Belgrade and Novi Sad, included 206 respondents, whose selection was completely random, in order to achieve better representativeness of the sample. Additional segmentation and targeting of certain socio-economic groups was not necessary; daily purchase is present in lives of all of us and, independently, based on our preferences, we all select retail format in which we perform our purchases. A very important part of this questionnaire are already mentioned factors affecting the respondents when choosing a retail format, detection of their motives and connecting with other characteristic in order to make valid conclusions. Respondents were surveyed verbally, over a period of 15 minutes.

Basic characteristics of the subjects who participated in this study are summarized in the following table.

Table 1: Sample structure

<i>Respondents characteristics</i>		<i>Data</i>
Gender	Male	33%
	Female	67%
Age	>24	51%
	25 – 34	27%
	35 – 50	12%
	51 – 65	6%
	Over 66	4%
Occupation	Student	51%
	Unemployed	2%
	Employed	43%
	Retired	4%
The average monthly spending for products for daily consumption	> 10.000 RSD	16%
	11.000 – 20.000 RSD	28%
	21.000 – 30.000 RSD	26%
	31.000 – 40.000 RSD	12%
	< 41.000 RSD	18%

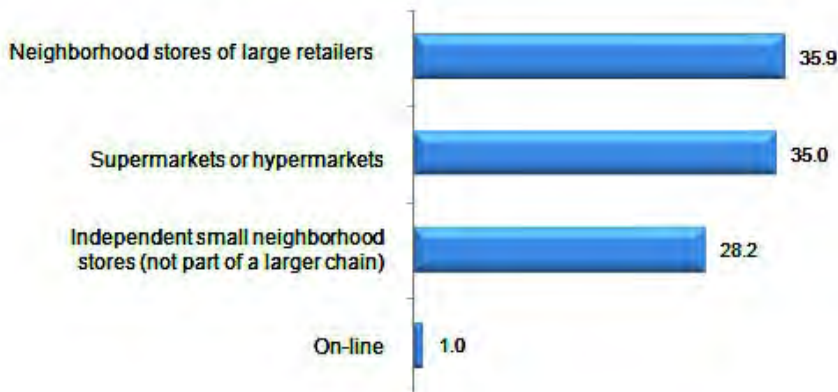
Source: The author

If the results are grouped according to gender, women make up almost 70% of examinees; grouping by the age shows that over 50% of respondents are students younger than 24 years. If we look at further distribution by age groups, we can note that the share of those over 50 years is 10%, and that is not statistically significant.

According to the occupancy, unemployed or retired account for only 6%, and employed 43% of respondents, which at first glance gives representativeness to this sample. Respondents' answers about the average monthly consumption of everyday products were quite equal, and it will be interesting to see which groups are represented in which consumption range.

The aim of the research was to explore the relationship between traditional and modern retail formats from the perspective of our respondents in two urban areas. If we look at the graph below we can see that modern formats dominate (70:30 ratio) compared to traditional ones. An interesting fact is that 35% of respondents buy products in super and hypermarkets, i.e. physically large formats, representation of supermarkets compared to the hypermarkets is also 70:30.

Figure 1: Share of retail formats in daily purchases of the respondents



Source: The author

This graphical representation can help us answer the first two hypotheses. First, we can conclude that in urban areas over 70% of consumers purchase in modern retail formats, while less than 30% of them buy in traditional. Regarding the second hypothesis, which is related to electronic shopping, we see that only 1% of respondents (2 persons) make purchases of daily consumer products online, which is not statistically significant. This is somewhat consistent with previously written theoretical views: modern formats are evolving, becoming dominant, e-commerce is booming, but its development is only to be expected in the coming years.

We get answers to the following hypothesis by crossing profiles of the respondents, their basic socio-economic characteristics with the retail formats for everyday purchases, i.e. the reasons why they chose that format, or factor by which they decide on the choice of formats. Let us look at the results.

Table 2: Retail formats profiles of daily purchases according to social characteristics of respondents, shown in %.

Retail formats	Gender		Age					Occupation			
	Male	Female	< 24	25-34	35-50	51-65	>66	Student	Unemployed	Employed	Retired
Independent small neighborhood stores	35.3	24.6	28.3	28.6	16.7	0	100	28.3	50.0	20.5	100
Neighborhood stores of large retailers	35.3	36.2	34.0	42.9	41.7	33.3	0	34.0	50.0	40.9	0
Supermarkets or hypermarkets	29.4	37.7	37.7	28.6	33.3	66.7	0	37.7	0	36.4	0
On-line	0	1.4	0	0	8.3	0	0	0	0	2.3	0

Source: The author

Distribution by gender is evenly distributed within the retail format; we can see the difference - women often buy in large hyper / supermarkets, at the expense of larger purchases of men in small objects of independent type. Observation of the specimen by age is fairly evenly distributed, except the groups over 51 years of age, which were not statistically significant. Employees buy in modern formats more often, as opposed to students who frequently visit independent objects.

Allocation according to the economic characteristics of respondents shows that those with lower monthly expenditure for products of daily consumption usually purchase in independent neighborhood small shops, where respondents from the category that spend a month between 31,000 and 40,000 dinars also mostly buy. Small neighborhood stores of large retail chains are the first choice of all groups of consumers except the two: those with the lowest consumption and the consumption between 31,000 and 40,000 dinars. In large retail formats purchases are made by consumers of all economic characteristics, while those who buy online are not statistically significant, and they are present in only one category. After examining the socio-economic characteristics of the subjects we are able to answer the following two hypotheses.



Table 3: Profiles of retail formats of daily purchases according to economic characteristics, shown in %

Retail format	Monthly income						Monthly spending on purchases on all product categories				
	No income	< 20000 RSD	21000 – 40000 RSD	41000 – 60000 RSD	61000 – 80000 RSD	> 81000 RSD	< 10000 RSD	11000 – 20000 RSD	21000 – 30000 RSD	31000 – 40000 RSD	> 41000 RSD
Independent small neighborhood stores	30.2	66.7	50.0	18.2	12.5	20.0	50.0	31.0	18.5	41.7	10.5
Neighborhood stores of large retailers	34.0	0	12.5	45.5	37.5	50.0	12.5	37.9	37.0	41.7	47.4
Supermarkets or hypermarkets	35.8	33.3	37.5	27.3	50.0	30.0	37.5	31.0	40.7	16.7	42.1
On-line	0	0	0	9.1	0	0	0	0	3.7	0	0

Source: The author

H<sub>3</sub>, which is related to expenditure of younger females in large format retail shops, is rejected because of statistical significance which lies in the correlation between the age groups, and we can conclude that there are a significantly higher number of women who buy in these formats than men. As for the distribution of average monthly consumption in the large format, we can also conclude that there is no significance between defined groups.

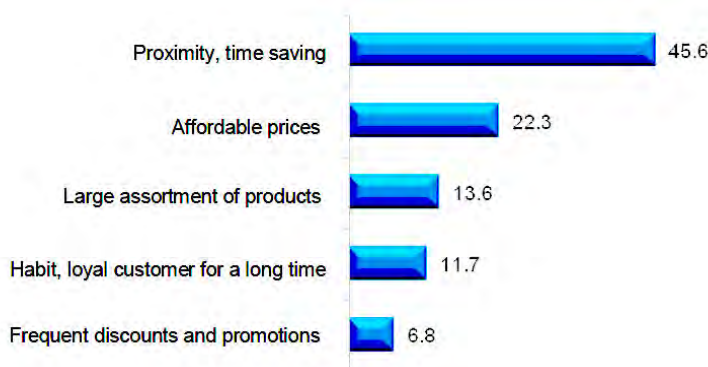
H<sub>4</sub> makes a correlation between spending and format of the object; the average consumption of respondents correlates with their income, while there is an open question what happens to the formats. We conclude that consumers with lower monthly expenditures for products of daily consumption are the only consumer group that buys equally in both modern and traditional formats (50:50). In accordance with the above, the hypothesis is rejected; under the present conditions of the market and trade, people with lower monthly expenditures for products of daily consumption use both traditional and modern forms.

The last part of the questionnaire relates to the factors and motivations that consumers have when choosing a retail store for everyday purchases. This is much more important and more relevant part than the previous, as retail systems based on internal sales data are not able to approach them. Discovering hidden motives of consumers is perhaps the most important thing that the retailer needs to know, or at least seek for.

According to the next graph, almost half of respondents report the expected response; they usually purchase in retail stores that are nearby, saving their time; with these results we have confirmed the upcoming fifth hypothesis. Interestingly, over 20%

of them buy products at an affordable price, regardless of the distance, and if we further add the significance of promotions and percentage of discount that makes almost 30%. Somewhat more than 10% of respondents have buying habits in the facilities in which they make a connection with vendors and are loyal to them. Meanwhile, 14% of respondents stated that the range of products offer is important to them when choosing objects of everyday consumption.

Figure 2: Factors, motives of respondents when choosing retail store for daily purchases



Source: The author

To answer the following hypothesis, it is necessary to establish correlation between the studied factors and motives when choosing a retail store everyday purchases and characteristics of both groups of respondents.

Table 4: Factors, motives of respondents when choosing retail store for daily purchase according to the social characteristics of respondents, shown in %

	Gender		Age					Occupation			
	Male	Female	< 24	25-34	35-50	51-65	>66	Student	Unemployed	Employed	Retired
Proximity, time saving	52.9	42.0	49.1	53.6	16.7	16.7	75.0	49.1	50.0	38.6	75.0
Affordable prices	23.5	21.7	28.3	7.1	25.0	50.0	0	28.3	0	18.2	0
Frequent discounts and promotions	2.9	8.7	5.7	7.1	8.3	16.7	0	5.7	0	9.1	0
Large assortment of products	11.8	14.5	7.5	17.9	33.3	16.7	0	7.5	50.0	20.5	0
Habit, loyal consumer for a long time	8.8	13.0	9.4	14.3	16.7	0	25.0	9.4	0	13.6	25.0

Source: The author

H<sub>6</sub> brings into the relationship the person's age factor and proximity and time savings, which was confirmed by this research. People sounder than 35 years have the immediate vicinity of the facility as the main motivating factor when choosing a retail format for everyday purchases, which can be connected with their style and way of life. H<sub>7</sub> creates a relation between the gender and proximity, and the results show that the relation is correct; men care more about the proximity of the store than women. H<sub>8</sub> brings in the relationship of age and low prices, promotions and discounts, as the last two age groups were not statistically significant, and the group of 35 - 50 sees range of offer of products as the main driver when choosing a retail outlet, and only then the aforementioned prices. This hypothesis will be rejected, and the conclusion is that older consumers are not looking for lower prices, promotions and discounts, but product range. What is not set in hypotheses, and it is extremely interesting, is that the students category has the statistically significant correlation and response frequency of proximity as a motivator, while the employed (other statistically relevant occupational groups) are less motivated by the proximity of the store, and more by the assortment and the price range. The following tabulation contains correlations between the amount of monthly income, monthly consumption and factors, or motivators for respondents to select retail store for everyday purchases.

Table 5: Factors, motives of respondents when choosing retail store for daily purchases according to economic characteristics, shown in %

	Monthly income						Monthly spending on purchases on all product categories				
	No income	< 20000 RSD	21000 – 40000 RSD	41000 – 60000 RSD	61000 – 80000 RSD	> 81000 RSD	< 10000 RSD	11000 – 20000 RSD	21000 – 30000 RSD	31000 – 40000 RSD	> 41000 RSD
Proximity, time saving	47.2	66.7	50.0	36.4	50.0	40.0	62.5	44.8	48.1	58.3	21.1
Affordable prices	30.2	0	0	27.3	12.5	15.0	12.5	27.6	22.2	16.7	26.3
Frequent discounts and promotions	5.7	0	12.5	9.1	12.5	5.0	12.5	3.4	7.4	0	10.5
Large assortment of products	7.5	33.3	12.5	27.3	12.5	20.0	0	13.8	14.8	16.7	21.1
Habit, loyal consumer for a long time	9.4	0	25.0	0	12.5	20.0	12.5	10.3	7.4	8.3	21.1

Source: The author

Based on surveyed respondents' monthly revenues, the other group was not statistically significant, and cannot represent the basic set. Respondents with no income, mainly students have a shorter time spending, and the immediate vicinity, as the main motivating factor for choosing a retail outlet, while the prices are only the second factor, albeit a statistically significant one. On the basis of this statement, we can reject the ninth hypothesis and conclude that independent from income and economic status, proximity is the main motivator for selecting a retail outlet. If we look at the same problem of preferred motivator for selection of retail outlet and amount of monthly expenditure, we conclude that for consumers with higher incomes proximity plays a crucial role when choosing a retail store.

In his research we examined respondents on the basis of socio-economic characteristics and their preferences, related to their tendencies when it comes to the selection of retail formats and factors, motivators that they have when selecting a daily retail store purchases. This study is the first in a series dedicated to developing marketing channels from perspective of consumers, and based on their characteristics.

## **Conclusion**

Retailers are leaders of marketing channels, which they have achieved through direct, immediate contact with consumers. Only those retailers who will track changes and act in accordance with the requirements of consumers will survive on the market. Consumers are the ones who direct the pace of change and to which they adapt; in our country in recent years, they are changing their habits and moving from traditional to modern retail formats and ways to buy. The era of digitization and the development of electronic and mobile platforms will certainly accelerate the already mentioned development of modern retailing. After conducting the research and obtaining the results we confirmed our theoretical point of view; the development of modern retail formats in the country is booming. The growth and development of these formats come as a result of accepting a change in the younger generation who do not care about price, savings, loyalty, and more private time. As set in the research conducted, in two urban areas, when selecting locations of everyday purchases, a large number of consumers opted for supermarkets, because they are in their vicinity. If the questionnaire is set in a rural area, the results would be drastically different. In addition to orientation only on the urban environment, the questionnaire has another significant drawback, and that is statistically insufficient number of respondents in the last two age groups, the results would certainly be better in that case, and we could make better conclusions.

Presented research has shown that consumers in our country, without regard for their economic situation, make their daily purchases in small objects of independent owners. Moreover, the group with the lowest monthly allocations for spending consumed about 50% via the traditional format. Women are the ones who are more likely to look for discounts and visit large formats (hypermarkets and supermarkets), whereas more males appreciate the immediate vicinity of the building. Based on just these characteristics, we can conclude that supermarkets within large cities should

target younger women of all economic levels. Men are attracted by proximity to the building and, to a lesser extent, the prices. Consumers with lower incomes and expenditures should be in the focus of small independent shops, by adapting their products and services. As we already mentioned, while young consumers, ready for a change, should be targeted by modern formats, they should also be ambassadors of these changes and the development of a new era of retail in our country.

In the future we can expect further expansion of modern formats, especially to the new forms of mobile and broadcast platforms. With these changes, retailers will directly target young consumers who want the challenge, are ready for change and something new. This kind of research and analysis will enable the selection of consumers from large databases and their proper targeting. In addition to this, it is necessary that retailers invest heavily in CRM, attracting and retaining consumers and creating ambassadors of new technological platforms and ideas.

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## Summary

The consumers' selection of the retail format in the two biggest cities in the Republic of Serbia was topic of this paper and survey. The survey was conducted in Novi Sad and Belgrade in April 2017, with more than 200 respondents of different age, gender, income etc. Consumers with different socio-economic status buy in different retail chains because of the various reasons. The survey has shown that modern retail formats are dominant and have a growing trend in urban areas, but there is still high percentage of consumers who buy in traditional shops. According to the survey, the growing trend of modern formats is going to continue in the future.