

THE ANALYSIS OF THE EVOLUTION AND TENDENCIES OF RETAIL MARKETS, WORLD WIDE AND IN ROMANIA

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The present work aims presenting and analyzing the evolution and tendencies of retail markets all around the world, but mainly in Europe and in Romania. Under these circumstances the major objectives of the work are: clarification of retail market concept; evolution and tendencies of retail markets world wide, in Europe and in Romania; effects of the economic crisis on retail markets in Romania.

Keywords: market, retail, evolution and tendencies, consumption, crisis.

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1. General consideration

Contemporary economy, by the means of the complex phenomena it generates, leads to a continuous evolution of the methods and forms of distribution. Therefore, permanently show up new forms of selling, as well as new distribution systems. Besides new forms of selling, new visions and perspectives appear in commerce. So, by this point, retail meant a form of small quantities selling. Nevertheless, **retail market refers to consumption goods market (final consumption goods), goods that are sold either by en-gross distribution forms, or by retail distribution forms, or by any forms of distribution and selling that reach the final consumer.**²⁸⁹

A brief analysis of the way the distribution systems evolved in different countries of the world emphasizes that in all areas of the world distribution has become progressively an extremely dynamic sector. We may state that the commercial apparatus suffered profound mutations, implying a continuous evolution of selling methods, distribution forms, geographic expansion, company administration, and so on.²⁹⁰

The appearance of modern ways of organization of the commercial activities is due to the continuous growth of competition and consumers' needs. Companies realized that without restructuring activities, remake strategies and thoroughly analyze commercial markets, cannot survive.

The modernization process of distribution circuits in Europe started in the northern countries in the 60's and gradually expanded towards Mediterranean countries. This evolution which allowed a well concentrated and organized method of distribution, determined the appearance of new operators with the following features:

- Large dimensions (supermarkets, hypermarkets, large specialized stores).
- Highly automated operations.
- Retail units covering a region or an entire national territory.
- Larger selling and service areas.
- Sophisticated methods of supplying, especially for well known branded goods.
- Internationalization of distribution, both conceptually and logistically.

2. Evolution and tendencies of retail markets around the world

Once with the expansion of distribution and commerce companies and with their systematic development increased the **concentration** of the companies in the domain. In Luxembourg, for example, 96.7% of the market is owned by top 5 companies in distribution. At the opposite pole are the countries in Central and Eastern Europe. (Figure 1)

²⁸⁹ Balasescu M, Balasescu S., -Restructurarea activitatilor din domeniul distributiei bunurilor de consum final in conditiile integrarii Romaniei in Uniunea Europeana. Ed Tehnica a Moldovei, Chisinau, 2005, pag 13

²⁹⁰ Patriche D. – Bazele comerţului , Ed. A.S.E. Bucureşti, 2004 – cap.1 Distribuţia mărfurilor, pg.15

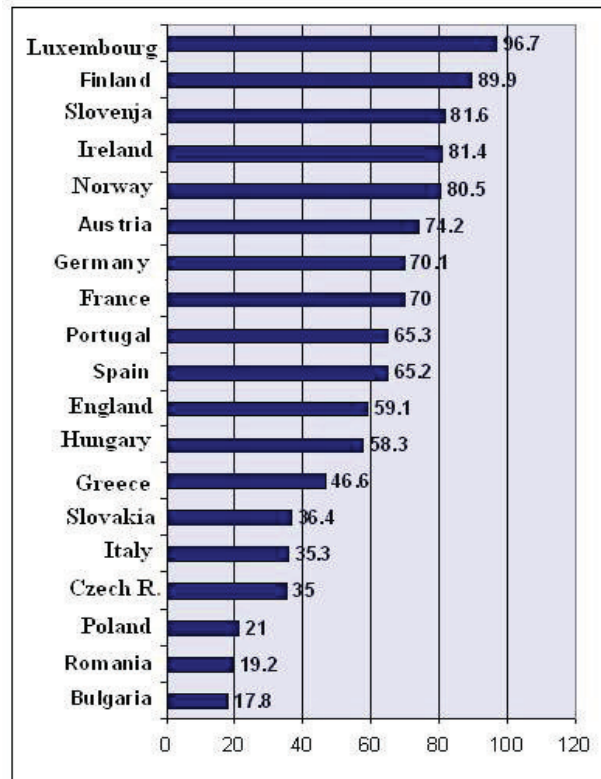


Figure 1. Concentration of the European retail markets in 2005 (share of top 5 retailers, %) ²⁹¹

The statement according to which the concentration degree is directly connected to the level of economic development must be moderately accepted. The relatively small selling areas per individual in the U.K. are not a proof of underdevelopment, but one of a very specialized distribution system. Actually, this country registers the higher consumption rate outside households in Europe, and restaurants are the main competition of the superstore. Concentration's effects are also visible in the goods acquisition domain by the decrease of national groups and maximum focus, and on the other hand by creating international buying groups (euro-groups). More than this, buying groups join, aiming:

- Common exploration of the market.
- Identifying European producers.
- Increasing the power of buying and the presence on the market of the members.
- Sharing logistic resources, as well as administrative, financial, and marketing ones, in order to optimize the acquisition of goods.

Globally speaking, concentration is a bit different. There are markets on which concentration is very high, meaning top 5 retailers owning 85.31% of the sales in the country (e.g. South Africa), and important markets on which concentration is relatively low. For example, on an important market such as China, the top 5 retailers own 5.74% of the sales. (Table 1)

Table 1. Sales volume on the 20 most important markets in 2006 (€ million) ²⁹²

	Top 5	Others	Total		Top 5	Others	Total
USA	416,853	966,135	1,382,988	Russia	10,780	89,741	100,521
Japan	114,433	514,118	628,551	Spain	57,705	35,674	93,379
China	16,825	376,230	293,055	Mexico	27,471	63,794	91,265
UK	139,017	153,644	292,661	Canada	55,778	43,871	99,649
France	151,289	75,556	226,845	South Korea	26,610	76,361	102,972
Germany	146,022	72,673	218,695	Indonesia	3,105	20,325	23,430
India	1,516	46,622	48,138	Australia	61,511	13,124	74,635

291 "Piata" Magazine, no. 35, 2007.

292 Planet Retail, Global Retail Rankings 2007.

Italy	38,249	68,431	106,680	Turkey	7,019	27,171	34,190
Brazil	18,427	51,943	70,370	Poland	10,547	36,000	46,547
Netherlands	20,976	15,492	36,468	South Africa	17,355	2,988	20,342

Concerning sales on regions world wide, we may state that the European, North American and Asian markets are equal in dimensions (Figure2), but different when it comes to concentration. (Table2). In North America, the top 10 retailers own 41.14% of the sales, while in Europe 32.49%, and Asia only 13.76%.

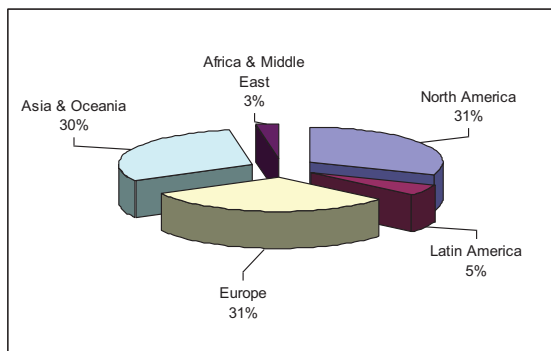


Figure2. Distribution of sales on regions 2006

Table2. Sales volume on regions in 2006 (€ million)

	Top 10	Others	Total
North Am.	610,037	872,600	1,482,637
Latin Am.	63,906	194,651	258,557
Europe	475,795	988,270	1,464,065
Asia & Oceania	200,738	1,258,635	1,459,373
Africa & Middle East	27,715	100,594	128,307

Top 30 retail companies, world wide, attest the supremacy of Wal-Mart from the US, which has a 3 times larger volume of sales than the follower: Carrefour, from France (Table3).

Table3. Top 30 retailers in the world²⁹⁵

	Company	Country	Sales (mil. €)		Company	Country	Sales (mil. €)
1	Wal-Mart	USA	292,936	18	Edeka	Germany	38,263
2	Carrefour	France	97,445	19	CVS	USA	36,737
3	Metro Group	Germany	69,629	20	Safeway	USA	34,886
4	Tesco	UK	69,204	21	Leclerc	France	33,662
5	Ahold	Holland	62,186	22	ITM	France	29,465
6	Kroger	USA	55,632	23	Woolworths	Australia	27,882
7	Seven & I	Japan	55,377	24	Sainsbury	UK	27,154

293 Planet Retail, Global Retail Rankings 2007.

294 Planet Retail, Global Retail Rankings 2007.

295 Planet Retail, Global Retail Rankings 2007.

8	Sears	USA	51,674	25	SuperValu	USA	26,797
9	Costco	USA	51,506	26	Tengelmann	Germany	25,430
10	Target	USA	49,881	27	Coles Group	Australia	24,156
11	Rewe	Germany	45,789	28	Loblaw	Canada	21,224
12	Schwarz Gp.	Germany	45,553	29	Delhaize Gp.	Belgium	20,726
13	Casino	France	44,062	30	Morrisons	UK	19,865
14	AEON	Japan	43,746	Top 30			1,526,660
15	Aldi	Germany	43,173	Others			3,266,281
16	Auchan	France	42,869	Total			4,792,940
17	Walgreens	USA	39,751				

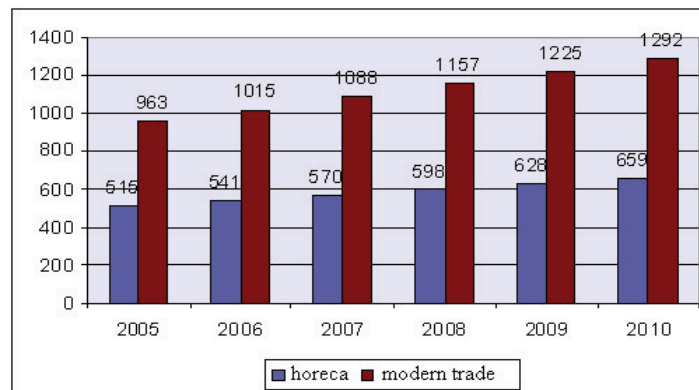
Globally speaking, we may state that almost 32% of the total retail sales volume is owned by the most important 30 retailers. There are some other preoccupations meant to differentiate the retailers' offer from the one of different players on the market. Therefore, private labels and their development and administration, is the latest preoccupation of retailers.

Introducing private labels on the global market is increasing without stop, as a study realized by Planet Retail shows, called: "Private Label Trends Worldwide". The phenomenon is positively influenced by globalization, concentration and consolidation. In other words, private labels spread more and more, as international retailers strengthen their position on the market and export their ranges of products on new geographical markets.²⁹⁶

The development level of private labels touches the highest values in Europe (especially in the Occident), followed by North America. In spite of this, South America and Asia-Oceania, are far behind.

A market study realized in Europe in 2006, called "European Retail and Foodservice Trends" shows that consumption in Europe had a value of 1015 c billion, being estimated for 2007 at 1088 € billion. The predictions for the following years show that there are small increases in consumption. According to the same source, modern trade will continue to dominate the retail market in 2010 and own approximately 70% of the total consumption goods sales.

Figure 3. Consumption goods sales in Europe, 2005-2010 (€ billion)



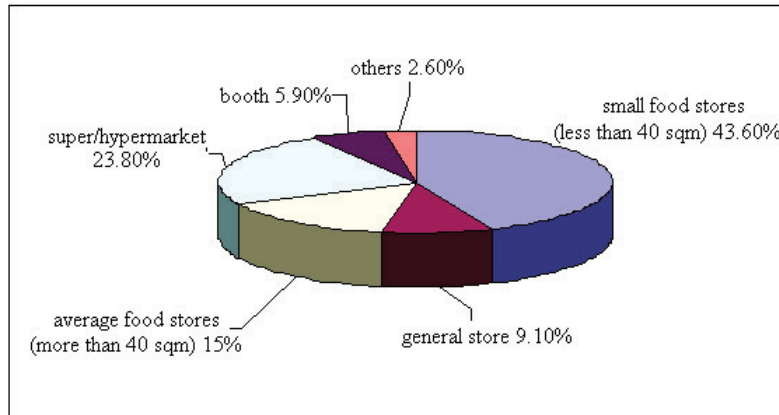
(Figure3).²⁹⁷

On the Romanian retail markets, modern forms of trade are small in comparison to other European countries (Figure4), but they are fairly dynamic. Therefore, the percentage of hyper and supermarkets in the total sales volume of consumption goods reached the value of 23.8%. The attraction of Romanians towards modern forms of distribution and commerce is very high, representing a new form of relaxation and entertainment. Romanians caught the "shopping" fever, which has become for more and more people a new way of spending spare time.

²⁹⁶ "Piata" Magazine, no. 35, 2007.

²⁹⁷ "Piata" Magazine, no. 35, September, 2007.

Figure4. Share of sales per distribution forms²⁹⁸



Even though the growth of the Romanian retail market is high, specialists say that it is still immature and that only in 2010-2012 it will reach its maturity. This maturity implies, taken under consideration the experience of neighbor countries (Poland, Czech Republic, Hungary and Slovakia), that shop networks to stop investing in new locations and start transactions between themselves. Nowadays in Romania, big retailers head towards smaller provincial cities, where traditional commerce still rules.

3. The effects of the economic crisis on Romanian retail markets

Romanian retail markets will grow up suddenly due to the economic crisis

Retailers' profits on local market will decrease consistently in the following 2-3 years, reaching a normal level of 1-3%, as a result of the consumption reduction with more than 20% in the context of the global economic crisis. Retail industry has normal profits of 1-3%, but Romania is a great exception, net profits reaching even 50%. Things will change in the following 2-3 years in which consumption demand reduction is clear in parallel with competition growth in the domain.

The reduction of the operational profit will attest the achievement of a mature stage in the retail market in Romania, which needs a few adjustments due to the new macroeconomic conditions. More than this, in the following years a reduction of the consumption is expected with 20-30%, as it happened on the foreign markets after the strike of the crisis.

Retailers will confront this year with financial problems and many of them will find impossible completing the announced and already started projects. Meanwhile, banking market is blocked and so are 90% of the retail credits. Retailers will be forced to change their development plans and reduce profits in order to survive and to adjust selling points to the new conditions on the market.

2009 will be characterized by a deceleration of the expansion process of commercial chains, most retailers stating that difficulties met by constructors and/or retailers in finding finances are the main issue. Nevertheless, expansion plans for 2009 announced by 25 big retailers show a decrease of 9% of the expansion rhythm, compared to 2008: 162 locations compared to 176 in 2008 (expansion by acquisition is included).

This year will be a rather difficult one especially for local networks, confronted with the alert expansion of the international chains on a market that is shaken by the global financial and economic crisis.

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298 "Piata" Magazine, no 48, October, 2008.