

CURRENT SITUATION AND TRENDS OF THE GREAT POWERS GLOBAL RETAIL

Nicoleta BUZILA, Mihaela GALEA (DOGAN)
„TIBISCUS” UNIVERSITY OF TIMIȘOARA, FACULTY OF ECONOMICS

Abstract:

Purpose of paper: to show consumer trends in times of recession, and retailer situation after a period of recession. The study was conducted by Deloitte, which after several studies offered some advice for retailers.

Key words: retail, recession, Europe, the trend, consumer

Jel classification: M31

As the global economy has migrated since 2007 from a growth to a relatively strong deceleration and then a modest recession in early 2008 consumers have reduced spending and were directed toward Discounter. This is demonstrated in the company's annual report that, after ranking the largest 250 retailers in the world based on turnover in fiscal year 2007, shows a strong presence of discount retailers in the Top 10.

Dr. Ira Kalish, director of research at Deloitte, notes that "as we approach the year 2009, consumers will be increasingly oriented price - quality, value-added products, which will tend to manifest much stronger than in the recent past. On the other hand, the current economic environment will oblige the retailers to pay close attention towards cost management.

The same study showed that 44 of the 250 retailers have experienced a decline in sales received in fiscal year 2007, 8 more than the number registered in the previous year. Moreover, the number of unprofitable retailers doubled from 7 in 2006 to 14 in 2007.

Wal-Mart Stores, Inc. (Wal-Mart) remained the largest retailer in the world, in front of Carrefour Group (Carrefour). Both Tesco PLC (Tesco) and Metro AG (Metro) have got a place in the first ten rankings primarily due to losses incurred in 2007 by The Home Depot, Inc. (Home Depot), which dropped two places in the ranking, reaching the fifth position.

Russian, Chinese and South Koreans retailers have registered the largest increases. After two years, in 2006, we saw for the first time, the entry of two Russian retailers and four Chinese retailers in the 250 list. This year, these six retailers have climbed significantly in the ranking, two of the Chinese retailers reaching even the top 100. Gome Home Appliance Group is positioned to place the 63rd in the Top250 and eighth place in the top area of the regional Asia / Pacific. It is the first time a Chinese retailer succeeds in breaking the top 10 retailers in the Asia-Pacific.

Moreover, of the ten retailers with the highest annual growth rate of the last five years, two come from Russia, two from China and one in South Korea.

The fact that the Asian economy has decoupled from the United States, since the companies in this area were made up and recorded increases, this does not mean that emerging markets will be avoided by economic earthquakes, but that emerging markets will feel less crisis than countries with developed economy.

Kalish also said that "the increasing power of China's exports declined in real terms because of the slowing U.S. economy, and as a result of the Chinese currency reinforcements. However, inflation is under control for now, thus allowing the authorities to ease monetary policies. Most likely the result of these steps is a rate of

more moderate economic growth to avoid recession, and since consumers would not wander too far from shopping budget, retailers will avoid major problems. The economic scenario is the same for India."

Table no.1

Global retail sales - 2007

Company	Country	Top position	2007 Retail Sales (mil. USD)	CAGR 2002 - 2007
Wall/Markt	U.S.	1	374.526	10,3%
Carrefour	France	2	112.604	3,6%
Tesco	Great Britain	3	94.740	12,4%
Metro	Germany	4	87.586	4,6%
Home Depot	U.S.A.	5	77.349	5,8%
The Kroger Co.	U.S.A.	6	70.235	6,3%
Schwarz	Germany	7	69.346	12,6%
Target Corporation	U.S.A.	8	63.367	7,6%
Costco Wholesale Corporation	U.S.A.	9	63.088	10,7%
Aldi Gmbh&Co. oHG	Germany	10	58.487	4,3%

Source: *** Review "Progressive Magazine", January 2009

It was a moment in time, not too far from now, when Europeans believed, and rightly so, that they will be able to avoid serious consequences brought by the economic turmoil overseas. Those times have passed. Today, the entire financial system of Europe is tossing around the same problems as the American system, namely the real estate market. Even though many European countries are far from being disasters in the same situation like the United States in regard to the real estate segment, what has happened had a contagious impact on multiple financial institutions in Europe as well.

The retail European market presently illustrates the fact that many retailers are willing to become members of a group of acquiring in order to increase their purchase power and also to preserve their commercial independency. This fact is determined by the arrival on the Central and Eastern European market of international retailers that have started to bring trouble for the locals.

Discount stores have extended both on developed markets, as well as on developing ones, thus filling the void created by proximity retail and giving retailers the opportunity to diversify their portfolio.

They are strategically used as means that enable retailers to enter a new market or to cover the niches on mature markets.

Retailers have seen in discounters a model of success in Western Europe, their expansion having a wide impact on price policies among supermarket networks in the region.

Convenience stores have also acquired some importance after saturation in large stores made retailers re-orient from hypermarkets out of town to smaller stores downtown. A notable tendency is the one of opening convenience stores in highway areas, next to the existent gas stations.

As for hypermarkets, supermarkets, wholesale warehouses and cash&carry stores, the most remarkable expansion took place in developing countries from Central and Eastern Europe, where there still is enough potential.

The number of supermarkets and proximity stores is slightly going down. In Western Europe, the decline of this sector was due to extensive maturity and competition on the market, especially from discount stores. Moreover, market openings and losses in this region of the first 30 global retailers also contributed to diminishing the number of stores.

In Central and Eastern Europe, the markets of Poland and Czechoslovakia have been the target of large Western-European retailers during the last decade. Even if these markets are still attractive, the new “magnets” for retailers are Romania, Serbia and Bulgaria.

The more mature markets in Western Europe have the largest number of stores and the highest concentration of modern forms of retail. These markets also prove to have the lowest development rhythm, due to their degree of saturation.

Convenience stores, as well as discount stores, have recently become the main format for expansion of the retailers on mature markets, allowing them to penetrate the divided sector of small-size stores operated independently and to provide a solution both for impulse shopping, as well as for short and often trips to stores (that have replaced weekly shopping).

While the extent of acquisitions and the efficiency of supply chains are increasing, retailers are broadening their offer by adding private brands; the effect is the following: the leader brand suffocates the others. The phenomenon is obvious for the whole range of formats, from hypermarkets to convenience stores, and the competition for commercial spaces is perceptible both when it comes to land, as well as on the shelves.

First, many European banks have been caught with money invested badly, which led to a reduced capital and caused a rise in loan costs or inability to credit. Second, the credit crisis in the U.S. by itself has attracted a dramatic increase in capital costs, as banks have reassessed the risks, a phenomenon that has spread all over Europe. And as they are strongly interconnected, the problems of banks have been extended to others leading to a near collapse of the entire financial system.

Table no. 2

European retail sales situation

Company	Country	Position in Europe	250 top position	2007 Retail Sales (mil. USD)
Carrefour	France	1	2	112,6
Tesco	Great Britain	2	3	94,7
Metro	Germany	3	4	87,6
Schwartz	Germany	4	7	69,3
Aldi	Germany	5	10	58,5
Rewe	Germany	6	12	51,9
Auchan	France	7	14	49,3
E. Leclerc	France	8	18	44,7
Edeka Zentrale	Germany	9	19	44,6
ITM(Intermarche)	France	10	23	40,7

Source: *** Review “Progressive Magazine”, January 2009

Even now, when we talk about this situation, we do not know exactly at what stage the crisis is nor how deep its effects will be, what can we say is that the crisis will affect to some extent European retailers.

Experts from Deloitte say that, for the short term, retailers should focus more than ever on market share. Now is the time when everyone will have to show their talent management, because when economic growth goes by itself growing your company is not that difficult. This is the moment that will determine which retailers have a business model based on the correct strategy.

In this context, growth will be made up of overlapping series of factors. Retailers will succeed to strengthen and increase market share only if they can clearly differentiate themselves from competitors in the minds of customers, if they have strong value brands (brand equity), if they will have the capacity and will to allocate budgets to deliver innovation and if they could provide sufficiently attractive buying experience to clients.

Deloitte has proposed a series of tips for the players in this field. These are as follows: remove any cost that you can dispense, consider risk management, improve customer experience in stores, think up a strategy that will reform the most important resource - human capital, consider a new business model that is focused on multiple distribution channels, consider the concept of smaller, proximity stores, which will allow you to target new consumer groups, take into account segmentation of markets, think globally but act locally, rethink your supply chain and do all these things but keep in mind that you are a brand.

REFERENCES

1. **International retailers in CEE**, Progressive magazines Review, no. 96, October 2007;
2. Carey E., Goldenberg G., Lawrence Hutter L., Kalish I.: **Global Powers Top 250 Highlights**, Global Power of Retailing, Deloitte, Stores, January 2006;
3. Global Channel Strategies, 2008, <http://planetretail.net/>;
4. *** Review "Progressive Magazine", January 2009;
5. *** Euromonitor International, "*World Retail Data and Statistics 2008/2009*".