# THE CONSOLIDATION OF THE MODERN RETAIL ON THE ROMANIAN MARKET

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***Abstract:***
*Trading, in general, and retail trading specially, record important transformations on the Romanian market. In the last years, new trading forms have entered this market, which led to an important growing of the competition, changes of the force proportion and the adaptation of new competitor's strategies. This paper tries to make an "X-ray photograph" on the "modern trade" existing in Romania through the evolution of the new forms that compete on this market.*

***Key words:*** *retail, competition, cash & carry*

***JEL classification:*** M31-marketing

### Framing it in a larger problematic context

The significant changes on the Romanian retail market have major implications, both organizational and individual levels. The new or old competitors of this sector are forced to get through some powerful environmental pressures and influences. The consumer is also submissive to some changes regarding the buying and consuming behavior.

### Short methodology description

The research is mainly founded on the review of the main research developed in this domain by organizations specialized in market research and analysis, organizations with an object of activity to diagnose the commercial environment of markets around the world, statistics, as well as own analyzing.

### Main conclusions

The evolution of the modern retail in Romania was nevertheless very dynamic in the past three years, being that from 19% of the market, the percentage in 2001, this segment has grown to 27% in 2005, to 33% in 2006 and to 39% in 2007.

At present, in Romania, modern trading is structured in this way: 74 hypermarkets, 88 supermarkets, 152 discount stores and 40 cash & carry stores

So, not only in volume, but in number of units as well, a quick evolution of the modern retail is remarked, the most spectacular expansion being the one of the discounters, followed by hypermarkets and supermarkets. Only the cash & carry sector is in a stagnation period, regarding the number of the operators and the slow growing number of units.

### The research methodology

In order to emphasize the fact that many trading forms compete on any market, I made use of the academically researches that regard the retail structure. From these analyzed researches I hold back the fact that competition interaction between retailers is described through the concept of intratype, intertype or inter-category competition.

The evolution of the modern forms of trading on the Romanian market is showed in an analysis that counts mainly on the review of the main research developed in this domain by organizations specialized in market research and analysis, organizations with an object of activity to diagnose the commercial environment on many markets in the world, statistics, but also, their own analyzing

**Results achieved**

In many researches, trade forms are analyzed through one competition type. The stores are delimitated by: size, mix and retail distribution in a geographic space, Bucklin (1972); product line, Hirschman (1978); stores of the same commercial classification code, Dunne and Lusch (1999).

There is no exact retail typology; this determines a non-exclusive classification of the competitors' interaction between stores. In order to eliminate this confusion, a clear defined classification of the retails is necessary.

The competition interaction between retailers is often described through the concepts of intra and intertype competition. Levy and Weitz, (1998), consider that between the same types of retailers that sell similar products exists an intratype competition, while intertype competition appears between different types of retailers that sell similar products. Mason, Mayer and Wilkinson, (1993), define the types of the competition taking in consideration the fact that retailers "compete one against the other for the same needs".

The en detail commercial environment was submissive to significant changes that determinate a more profound analyze on retailers typology. A wide scale accepted typology is offered by Miller, Reardon and McCorkle (1999) that identified 3 types of retail stores:

- the ones specialized on a restrained gamut (limited);
- the ones specialized on a wide gamut (large);
- general trading.

The restrained gamut specialists are the retailers that offer the highest level of consistency (depth) concerning the products gamut. The wide gamut specialists are retailers that offer a vast level of consistency concerning the products gamut, so as to cover both the general market and the complementary one. General merchants are retailers that offer relatively inconsistent products gamut, so as to cover both the non-complementary market and the independent one.

Competition between these three types of retailers is classified as intratype, intertype or inter-category. Intratype competition is met when retailers of the same type offer similar products. Intertype competition refers to competition between stores specialized on a wide gamut and stores specialized on a restrained gamut, that offer similar products. Inter-category competition is established between specialized stores and general trading ones.

There was a variety of explications regarding the institutional changes in retail. The theories and hypotheses have been supported classifications which distinguished in 3 main approaches (Home 1997):

- The environmental theory sustains the fact that changes in retail are a development function in the operative environment of an institution;
- The cycle theory suggests that changes take place in a rhythm and are characterized by the repeat of some anterior models;
- The conflict theory is focused around the inter-institutional conflicts that take place when new retails forms appear, Brown (1987).

Miller, Reardon and McCorkle, (1999) identified idea schools regarding the effects of the competition, which they included in two main categories. The Symbiosis School considers that the retail structure is characterized by "symbiosis". The theories of this school sustain that retailers have mutual benefits one over each other, Hirschman (1978); Carroll (1985); Ghosh (1986); Eppli and Benjamin (1994).

The retail structure also directly implicates the consumers. The consumers orientate, for shopping, to spaces that satisfy their needs regarding time, as well as the mobility ones (Albaum and Hawkins 1983; East et al. 1994; Holman and Wilson 1982).

The Darwinist School, suggests that, in the fight for the limited financial resources of the consumers, the retailers are in a cruel competition, at the end of which the most powerful survives. The Darwinists consider the competition as a game with a null sum. The fact that small business differences determine lower prices, profits and sales is an accepted competition principle, Kerin, Mahajan and Varadarajan (1990); Aaker (1992); Czepiel (1992). Ingene and Lusch (1981) mention the fact that the implications appear if stores offer similar gamut of products.

Based on this typology, I put to analyze four forms of trade on the Romanian market: hypermarkets, supermarkets, discounts and cash & carry.

**Conclusions**

It is obvious for any Romanian consumer that the difference is huge between what retail meant years ago and what it represents now. Changes extend from store typology, offers, to the quality of the services and design.

Even though in the last few years we witnessed an avalanche of supermarkets and hypermarkets, in Romania, traditional trade continues to have a major percentage. But, once the number of modern trade units will grow, in the following years this percentage will lower. (www.mediafax.ro)

The four phases of the retail market evolution are introduction on the market, growing, adulthood and saturation. Romania is at the beginning of the growing phase and, as specialist predict, will reach a somehow adulthood in 2010-2012. (www.dailybusiness.ro)

In Romania, the first modern type of trade appeared in 1992 and was represented by supermarkets, by the La Fourmi supermarket (www.lafourmi.com), that are concentrated, in present, especially in the center and south part of the country, next to discounters. The most dispersed segment is cash & carry, present in all country areas.

The most important actors on the Romanian retail market are: Metro, Rewe, Carrefour, Louis Delhaize, Schwarz, Auchan şi Tangelmann. According to a classification in 2007, the retailer's top in Romania looked like this (Piața, 2008):

*Table 1. Retailer's top in Romania (Piața Magazine, no. 42/2008)*

** temporary data, after the sales figure in 2007*

| ***No.*** | ***Network*** | ***Sales figure 2006 (mil. lei)*** | ***Sales figure 2007 (mil. lei)*** | ***Variation (%)*** | ***Nr. of stores*** |
|---|---|---|---|---|---|
| 1 | Metro | 5.306 | 5.036 | 5,4 | 23 |
| 2 | Selgros | 2.741 | 2.156 | 23,8 | 17 |
| 3 | Carrefour | 2.426 | 1.978 | 22,6 | 11 |
| 4 | Billa | 1.252 | 1.062 | 25,6 | 28 |
| 5 | Real | 1.218 | 289 | 321,0 | 15 |
| 6 | Rewe | 846 | 313 | 170,0 | 52 |
| 7 | Auchan | 457 | 67 | 582,0 | 5 |
| 8 | Plus | 422 | 286 | 47,0 | 52 |
| 9 | Artima | 343 | 275 | 24,7 | 21 |
| 10 | Interex | 320 | 203 | 57,6 | 11 |
| 11 | Pic | 217 | 215 | 1,0 | 4 |
| 12 | La Fourmi | 104 | 71 | 46,5 | 14 |
| 13 | Ethos | 73 | 48 | 52,0 | 17 |
| | TOTAL | 15.725 | 11.999 | 31,1 | |

The modern trade's market in Romania is divided between hypermarkets and supermarkets, in 2007, each of them having a market share of 15%, followed by the discounters with 5% and cash & carry units with 4% of the total retail market (www.standard.ro). In Bucharest, modern trade represents 70% of the total trade (www.financiarul.ro). According to the graphic bellow, In Romania, modern retail share in the total sales value in retail has grown to 39% in 2007, in comparison with the 19% level registered in 2001.

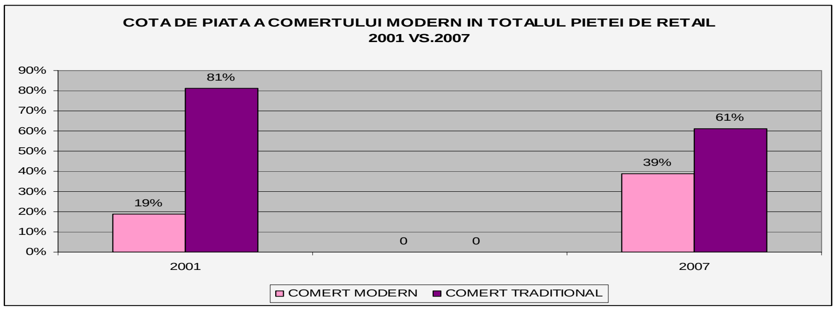


*Figure 1. Modern retail share in total sales value 2001 vs. 2007*

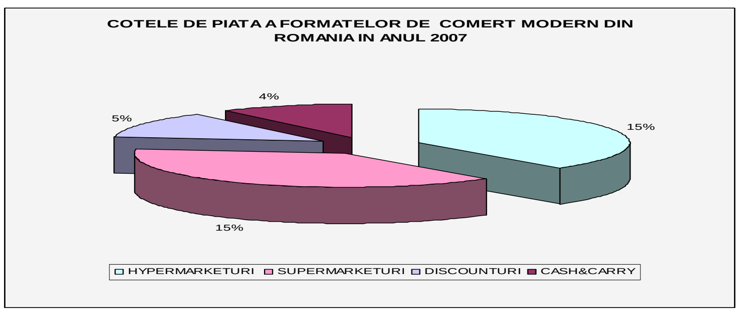


*Figure 2. Modern trade forms in 2007*

The evolution of the modern retail in Romania was nevertheless very dynamic in the past three years, being that from 19% of the market, the percentage in 2001, this segment has grown to 27% in 2005, to 33% in 2006 and to 39% in 2007.

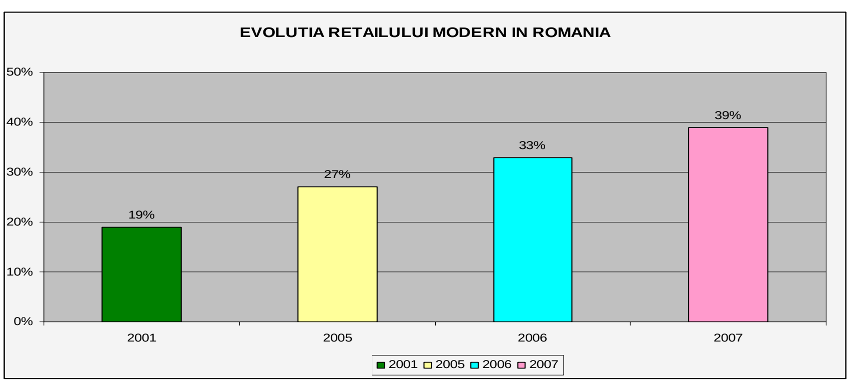


*Figure 3. The evolution of the modern retail in Romania*

Even though the Romanian retail market has seen a much faster development than its neighbors or other Eastern European countries, modern trading in Romania has a much smaller weight than in Western Europe countries, where it reaches 99,6% of the total sales value in France's case and 94,3% in Spain's case (www.dailybusiness.ro). On the other hand, in 2006, Romania occupied the second place in Europe according to sales/m², with 10.200 Euro. The retail with the highs sales/m² in 2006 was Metro Cash & Carry, with 10.300 Euro/ m², followed by Carrefour, with 9.775 Euro/ m². On third and fourth place we find Billa and Plus, with sales of 9.302 Euro/ m² and, respectively 7.800 Euro/ m² (www.standard.ro).

At present, in Romania, modern trading is structured in this way: 74 hypermarkets, 88 supermarkets, 152 discount stores and 40 cash & carry stores (www.dailybusiness.ro, June 2008).

According to the number of units, we can see a fast evolution, the most spectacular expansion being the one of the discounters, followed by the hypermarkets. The cash & carry sector, represented by Metro and Selgros are finding themselves in a stagnating period, having the lowest evolution, although both companies will resume their expansion plans (www.financiarul.ro).

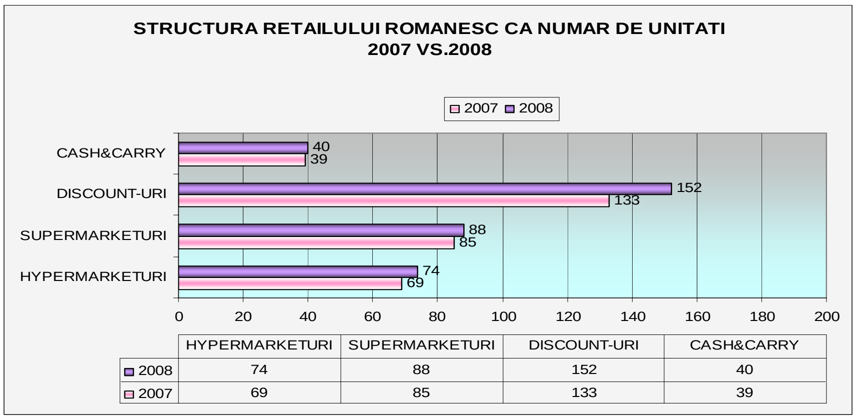


*Figure 4. The structure of the Romanian retail*

The most important organizations in retail, the year of their entrance on the Romanian market and their current number of units are the following:

*Table 2. The most important retail organizations in Romania*

| **on the hypermarkets segment** | | | **on the supermarkets segment** | | |
|---|---|---|---|---|---|
| *Retailer* | *Entrance Year* | *Units* | *Retailer* | *Entrance Year* | *Units* |
| Carrefour, | 2001 | 14 | Mega Image | 1995 | 20 |
| Real, | 2006 | 15 | Interex | 2002 | 11 |
| Auchan | 2006 | 5 | La Fourmi | 1992 | 14 |
| Cora | 2003 | 3 | Spar | 2006 | 15 |
| Pic | 2004 | 4 | Billa | 1999 | 28 |
| Spar | 2006 | 1 | | | |
| Kaufland | 2005 | 32 | | | |
| **on the discount segment** | | | **on the cash&carry segment** | | |
| *Retailer* | *Entrance Year* | *Units* | *Retailer* | *Entrance Year* | *Units* |
| Penny Market | 2002 | 28 | Metro | 1996 | 23 |
| Profi | 2001 | 45 | Selgros | 2001 | 17 |
| Plus Discount | 2005 | 55 | | | |

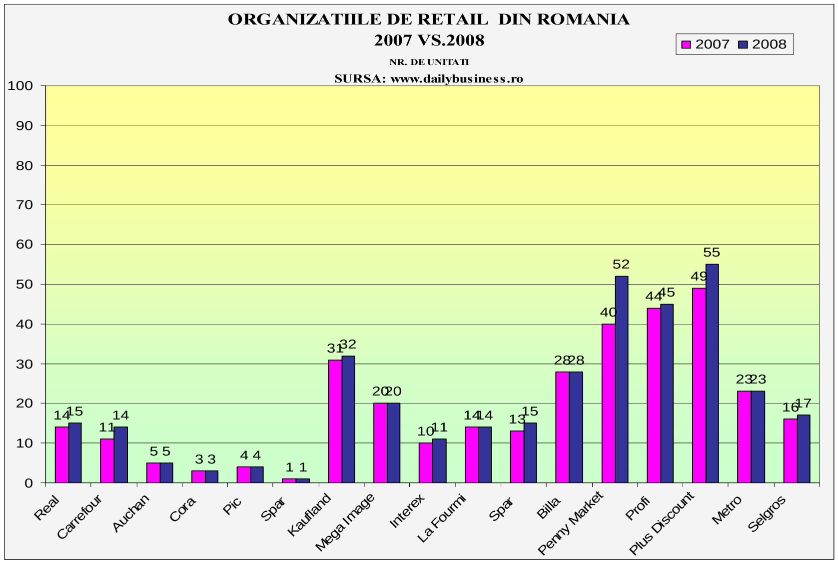


*Figure 5. Romanian retail organizations 2007 vs. 2008*

So, all four modern trade segments are in a continuing grow as number of stores.

The most dynamic segment will be the one of the discount networks, with an estimated growth of 437% up until 2010, while the hypermarkets and supermarkets will register a growth by about 84%. The modern trading evolution will have effects on the traditional way of trading, taking into account what happened in Central Europe. Although, at the time, there weren't spectacular transformations, judging by the number of the traditional stores, according to a study made by Euromonitor (www.markmedia.ro).

If we take into consideration that 8% of the international retailers want to open a store in Romania in the next 2 years and that according to a International Retailer`s Survey study, made by the International Council of Shopping Centers (ICSC), in collaboration with Cushman & Wakefiend and Real estate Publishers (REP), Romania is the third most attractive country for expanding retailers in the next 2 years, after Russia and The Czech Republic. In conclusion modern trading development will have a high dynamic (Banat Business, 2008).

The evolution of modern trading will have effects on the traditional trading situation, taking into account of what happened in countries from Central Europe. However, there weren't spectacular changes from the traditional number of stores' point of view, yet. They can survive if they learn how to revive their format, if they will put new products on their shelves, if they'll diversify the gamut that they offer, if they'll promote their own brands (this option is quite expensive for the majority), if they'll organize promotional campaigns together with the FMCG producers. And last, but not least, if they implement loyalty programs for their clients (cards, discounts, credits etc.).

A GfK study estimates that until 2010, modern trading will occupy 50% of the Romanian FMCG market, in comparison with the 30% percentage, at the beginning of 2007.

I believe that the evolving modern trading is still searching for its place and role in the Romanian commercial area, experimenting formats and attributes depending on various conditions and opportunities, confronted or approached.

The small formats will survive mainly by innovating. For repositioning, it is recommended that small en-detail merchants exploit what consumers want and big merchants can't offer.

Innovations will make an effect only if little en-detail merchants will have the capacity to understand the consumer's behavior. According to Baltas and Papastathopolou (2003), the simultaneous examination of the criteria they use to choose a brand, a store, as well as the demographic characteristics of the customers, will upgrade considerably the understanding of the consumer's behavior, which provides the merchants with the perspicacity they need to determine the segmentation criteria and the marketing strategy that will follow (Baltas G., Papastathopolou P., 2003).

Small retailers can survive if they learn how to revive their format, if they will put new products on their shelves, if they'll diversify the gamut that they offer, if they'll promote their own brands (this option is quite expensive for the majority), if they'll organize promotional campaigns together with the FMCG producers. And last, but not least, if they implement loyalty programs for their clients (cards, discounts, credits etc.).

The majority of small stores in neighborhoods that sell products of current use and that aren't specialized will disappear in the next few years. Only the ones who will differentiate themselves and bring products for the customers have a chance to stay on the market. (Prada S., 2008).

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