

EVOLUTION OF THE MAIN RETAILERS ON THE ROMANIAN MARKET

Junior Assistant Silvia PUIU
University of Craiova

Abstract:

The paper presents the retail market in Romania, the main retailers and their evolution in our country. The theme is better highlighted in the foreign professional literature, but also Romanian economists analyzed some features of this subject. The purpose of this paper was to examine and interpret how Romanian retailers evolved during the period 2002-2009. A qualitative method was chosen for this research, and the empirical data was gathered from the companies in the Romanian retail sector. Primary data was collected through annual information from their websites, annual reports and different articles. The research is useful for companies, in order to understand and anticipate the tendencies in the field.

Keywords: market, retail evolution, format

Introduction

The theme wasn't approached in this way in the Romanian literature, but there are a lot of references regarding retail as commerce, the evolution of the retail market in Romania, new technologies used by the hypermarkets from our country and a series of statistical data which reflect the tendencies present in this field.

Rodica Erdei (2007) is one of the Romanian authors who approaches the issue of the changes produced in the Romanian retail sector in a scientific study, from traditional commerce to a modern one, in which the retailer offers to the final consumer a wide range of services. She also presents a lot of statistics regarding the evolution of the Romanian retail sector in the last years.

The evolution and the tendencies present on the retail market in our country are very well highlighted in the work „The retail market in Romania”, where the authors Mihaela Belu and Andrei Bețivu (2007) present the main operators who activate in this field, the great retailers' dynamics, the structure of the competitors and some of the strategies used by them.

The last years have brought important changes in the retail sector from Romania. The changes appeared after the moment of the adhesion of our country to the European Union. The researches made in this domain reveal the development level of the modern commerce, which leaves the traditional trade behind. (Prada, 2008).

In the foreign literature, the retailing theme is deeply approached by numerous authors. Hereby, in the work „Principles of retailing”, the authors J. Fernie, S. Fernie and C. Moore (2003) present the model of the five competitive forces belonging to M. Porter in the retailing field, the retailers' strategic alternatives, after the model of M. Porter and respectively I. Ansoff, the SWOT analysis and a series of other theoretical aspects referring to this sector.

P. Kopalle and others (2009) analyze the price strategies of retailers and the competitive effects generated by them, considering that nowadays, firms do a considerable effort to determine and quantify the competitive effects of price changes, the two elements – price strategies and their

competitive effects are strongly connected, becoming a particular case in retailing.

In an aggressive competitive environment and an increasing need for operational efficiency and client focused, retailers look beyond their organizations' borders in order to develop and extend the resources and competencies of the partners from the supplying chain for creating a superior value and competitive advantages on the market (Ganesan, George et al, 2009).

M. Santandreu and R. Lucena (2009) approach the issue of the strategies used by supermarkets, as a part of retailing, hypermarket and supermarket concepts, their dynamics and importance in the economy.

An extraordinary introduction in retailing is made by the authors R. Cox and P. Brittain (2004), they presenting in detail the term of retail, its functions, the place occupied in a country's economy, theories and tendencies present in this field.

J. Zentes, D. Morschett and H. Schramm-Klein (2007) approach in the book „Strategic Retail Management” a wide issue: typology of retail organizations, growth strategies, retailers' internationalization, supply and logistic platforms management in this field, as well as a series of study cases.

In the last years, the retailing activity in our country suffered numerous changes both regarding the existing types of operators and the offered product range. There is still a

very big difference between distribution sector in Romania and the one from developed European countries, in Romania the retailing continuing to evolve a much slower rhythm comparing with the other countries in Central and Eastern Europe.

The retail market in Romania: dynamics and structure

The retail system in our country has as main features: fragmented character, the traditional commerce is dominant, new retail formats appeared, an incipient evolution stage of the electronic commerce.

The fragmented character derives on one hand from the size of existing units and on the other hand from the level of property centralization. There are numerous small sized units, such as: kiosks, boutiques, small shops, and the distribution system being dominated by the small independent ones. At present, the centralization level is reduced, the number of the commercial center chains being rather low.

Predominance of the traditional commerce is a specific feature of the distribution on the Romanian market. Yet, in the last years, hypermarkets, discount stores, malls have been started to develop also in Romania, their share beginning to raise and attract more and more consumers, the appearance of the new retail formats being another feature of the Romanian retailing.

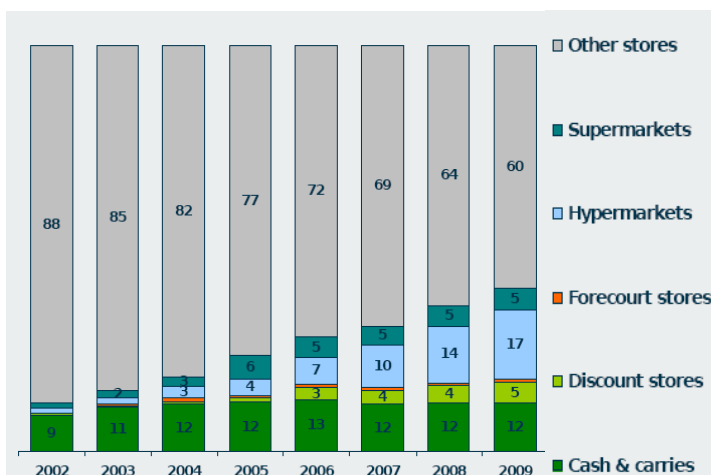


Figure 1. The volume of sales on retailer's type

Source: www.planetretail.net

We notice that the traditional retail share reduced from 88% in 2002 to 60% in 2009, the modern retail representing at present approximately 40%, from which hypermarkets hold 17%, the large shopping centers such as Cash & Carry 12%, supermarkets and discount stores 5% each (fig. 1).

The distribution format of hypermarkets has been introduced in Romania in 2001 from the initiative of one of the largest world retailers, Hyproma, company owned by Carrefour

and Hyparlo Group. Carrefour Hypermarket was the first opened in Romania, representing a total investment of USD 50 millions.

Till 2002, Carrefour was the only hypermarket in the country, but in 2003, the hypermarket chain Cora belonging to Louis Delhaize Group opened in Bucharest its first hypermarket in Romania. Delhaize Group holds the discount stores chain Profi from Timisoara and the supermarket chain Mega Image in Bucharest.

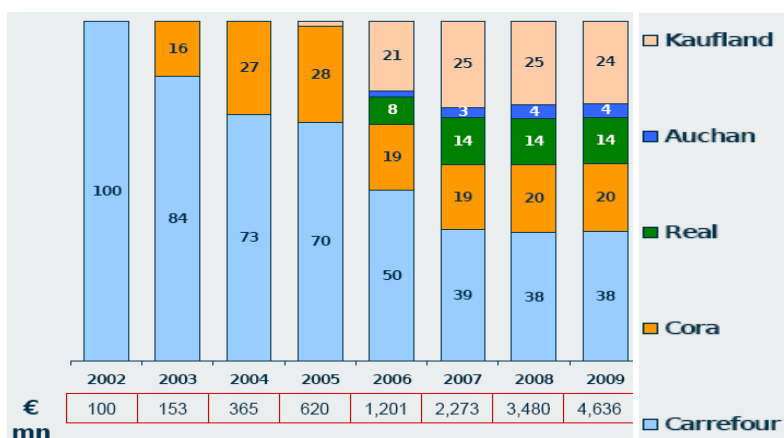


Figure 2. The sales structure of Romanian hypermarkets

Source: www.planetretail.net

As we notice in the above figure (fig.2), Carrefour hypermarket places on the first position in Romania, function of the sales realized, comparative to the other competitors on the market. Auchan is on the last place, holding just 4% of the market.

In table no.1, as number of commercial units owned by each of the retailers, Kaufland places on top with 40 units, then followed by Carrefour with 23, Real with 21, Auchan with 7 and Cora with 3 units.

Table 1

Number of hypermarkets in Romania

Hypermarkets	Auchan	7
	Carrefour	23
	Cora	3
	Real	21
	Kaufland	40

Source: www.magazinulprogresiv.ro

Supermarkets appeared on Romanian market in 1997, the first of this kind being Metro Cash & Carry. Supermarkets and supermarket chains started to develop on the Romanian market, both as a consequence of the local operators' initiative and also of supermarkets' promotion at global standards by great foreign retailers.

restructured and called supermarkets. Supermarket distribution formula has promoted a new image in retail, through chain stores like Mega Image and La Fourmi in Bucharest, and Billa and Gima, which are both in the capital and in large cities. The structure of the supermarkets in Romania, according to the number of shops open in the country till present, is shown in the table no. 2:

In the last decade of twentieth century, besides newly created supermarkets, many shops have been

Table 2

Number of supermarkets in Romania

Supermarkets	Carrefour Express	19
	Carrefour Market	5
	Billa	38
	DM Drogerie Markt	15
	G'Market	6
	InterEx	12
	La Fourmie	1
	Mega Image	44
	Spar	16

Source: www.magazinulprogresiv.ro

Besides Profi chain, distribution formula discount stores is also present in Romania through Megadiscount XXL. Discount stores have a large potential for expansion, given that the market still has a high capacity for absorption.

purchasing power of much of the population.

By the low prices they offer, discount stores have a chance to become a major component of the retail system, evolution favored by low

The sales structure of such stores place Penny as the first, with a rate of about 41% since 2006 and the Plus network of stores on the second position with 28%. On the last place there is Profi network with only 8% of sales (fig. 3).

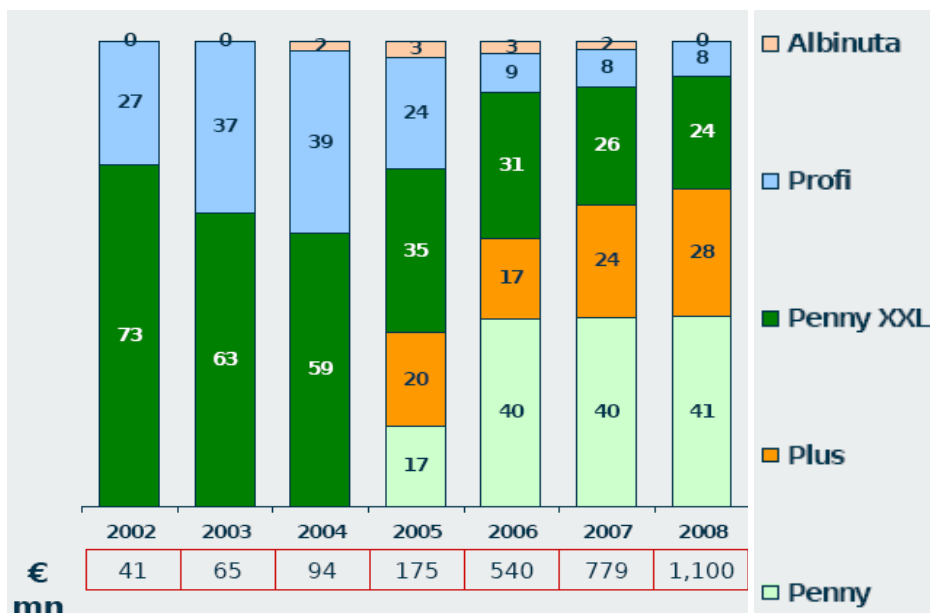


Figure 3. Sales structure of discount stores

Source: www.planetretail.net

According to the site www.magazinulprogresiv.ro, in 2009, in Romania, there are 249 discount stores, as follows: 25 Minimax, 80 Penny Market, 80 Plus Discount and 64 Profi (table no. 3).

Table 3

The number of discount stores in Romania

Discount stores	Minimax	25
	Penny Market	80
	Plus Discount	80
	Profi	64

Source: www.magazinulprogresiv.ro

It is also noticeable the emergence of **specialized stores** on the Romanian market. Specialized stores are present throughout the Romanian market: Flanco, Domo, Amadeus, Altex (electronics), GlobalNet, Germanos (mobiles and accessories), Flamingo Computers, Mobexpert, Elvila, Adorama, Neoset (furniture), Urbis, Romstal (sanitary) Steillman, Steffanel (clothing); Leonardo, Carmens, Superb 90 (footwear); Dumarex, Ina Center, L'Oreal (cosmetics); Sensi Blu Europharm, Help Net (pharmaceuticals).

An example it also might be Bricostore, the first DIY center in Romania. Specialized stores at international standards have also been established in the franchise system. An example would be The Body Shop stores. The first such store was opened in 1999 in the shopping center Bucharest Mall.

At the border between retail and wholesale, the Cash & Carry formula has developed . This formula appeared to meet organizational requirements of small customers, products being designed primarily for resale. Payment

is made on the spot, the products can be purchased in relatively high quantities and the transport of goods is made by the buyer. As Cash & Carry stores in Romania, we may exemplify Metro and Selgros.

Sales made by the two giants in the segment of Cash & Carry stores place Metro as first, although the trend is of downward in the favor of Selgros competitor, which currently covers 31% (fig. 4).

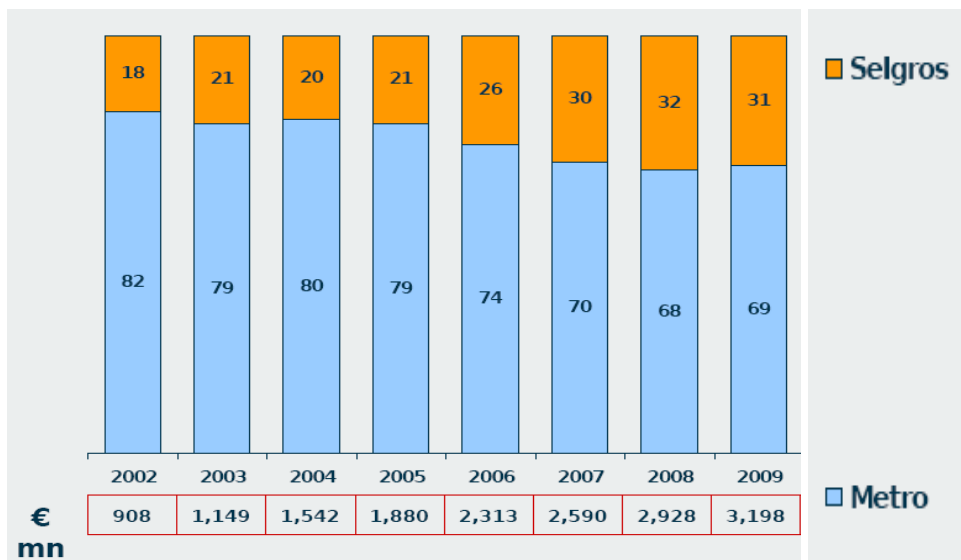


Figure 4. The sales structure of Cash & Carry stores

Source: www.planetretail.net

Number of Cash & Carry stores in Romania is 41 so far - 24 of Metro and

17 of Selgros, as observed in the table no. 4:

Table 4

The number of Cash & Carry stores in Romania

Cash & Carry	Metro	24
	Selgros	17

Source: www.magazinulprogresiv.ro

The Romanian market has a great development potential. The transition from a fragmented structure, traditionally dominated by traditional trade, to a structure dominated by outlets at international standards, where large areas have a considerable share, cannot be achieved quickly. Differentiation and competitive advantage will become the key to the success of a retail operator.

Conclusions

It is noted that the retail landscape has improved compared with 1990, although there is not a proper legislative framework in this sector of activity. The number of new stores launched on Romania's market is continuously growing. But the news in the local trade are not represented only by new stores but also by different types of retail beginning to seek their customers: proximity stores, hard discount, multimedia stores.

However, of all forms now present on the market, the Cash & Carry has mostly succeeded to loyalise its customers. The segment is dominated by two German retailers, Metro and Selgros, both with significant sales. But if so far, they have benefited from the absence of strong national competition, in the coming period, they will have to cope with the expansion of hypermarket networks, such as Carrefour, Kaufland and Cora.

Economic development and political stability are essential elements that influence the development of local retail market. They have led in the recent years to the increasing of Romanians' purchasing power and to the change of their consumption habits.

Also, an important role in modern retail development is played by the efforts of suppliers and traders to improve the quality of infrastructure and distribution chain.

Romanian market is not yet crystallized, on the contrary it is receptive to all innovations. Supermarkets and hypermarkets are still at an early stage of development and the discount format will hold a significant proportion of modern trade in the coming years.

Competition has intensified, both by opening new outlets of the groups

already on the market and the entry of new players. The consumer in Romania has become increasingly strict, comparing multiple chains, he is more aware of his rights and buys more and more on the fair price policy. He is therefore very closely at the price-quality ratio, which is already happening for a very long time in all Western countries. Consumer habits are changing, increasingly more people prefer to shop once a week instead of daily, from neighborhood stores.

Preference for modern trade has increased significantly in the last year, hypermarkets and discount stores gradually winning customers' preferences. In big and medium cities, supermarkets and groceries gradually lost their purchase frequency for hypermarkets and discounters.

Discount stores have registered a significant evolution in the last year, increasing a lot in the options and preferences of the buyers and closing to supermarkets' performance.

There is hope to guide the retail activity in the right direction. More and more foreign groups are interested in the Romanian market and invest heavily in our country. These are favorable premises for retail transformation in a competitive one.

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