

TENDENCIES REGARDING THE DEMAND FOR RETAILERS' PRODUCTS AND SERVICES

Assist. Silvia Puiu Ph. D Student
University of Craiova
Faculty of Economics and Business Administration
Craiova, Romania

Abstract: The paper presents the retail market in Romania, the main retailers and their evolution in our country, especially focusing on the tendencies regarding the customers' preferences for one format or another. The purpose of this paper was to examine and interpret how Romanian retailers evolved in customers' habits and what changes appeared related to their needs and demands. 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.

JEL classification: M31, M19

Key words: trend; tendency; retail; format; demand

1. INTRODUCTION

The overall evolution of the retail activity is marked by retailers' trying to keep up with a very dynamic environment. These consist in the development and improvement of the managerial concepts, as well as in promotion of some new commercial practices and technologies (Patriche and Stanescu, 1999).

The article analyses the tendencies that are present in the retail sector – the evolution of the demand and purchasing behavior on the retail market in Romania. Romanian consumers prefer more and more the formats of modern retail, especially hypermarkets, as a consequence of decreasing spare time and at the same time of increasing available incomes. The increasing number of units is a consequence of this trend.

The research goal is to offer the information needed for this field, seen as a very important component part of the national economy, as well as highlight the economic actors developing their activities in this sector.

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.

At present, we can notice that more and more consumers tend to focus on financial or entertainment services, instead of current products that occupy a decreasing share in total expenses. Food expenses remained relatively constant in value, if we consider the inflation, meanwhile the expenses for clothes have a negative trend. (Cox R., Brittain P., 2004).

2. THE DEMAND FOR RETAILERS' PRODUCTS AND SERVICES

The demand for retailers' products and services in our country is continuously increasing, because during the period 2001 - 2008, the unemployment rate decreased, and the net monthly wage increased, according to the date provided by Romanian National Bank (RNB) in 2008.

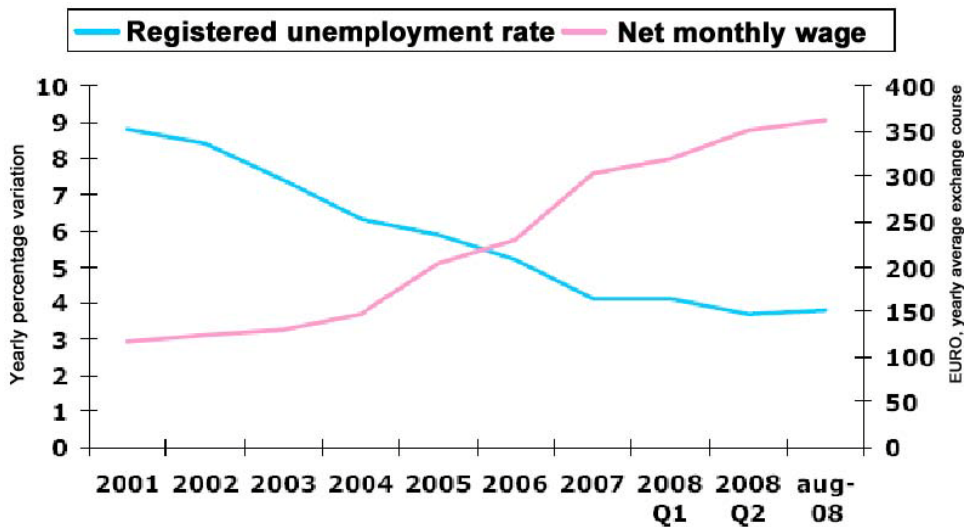
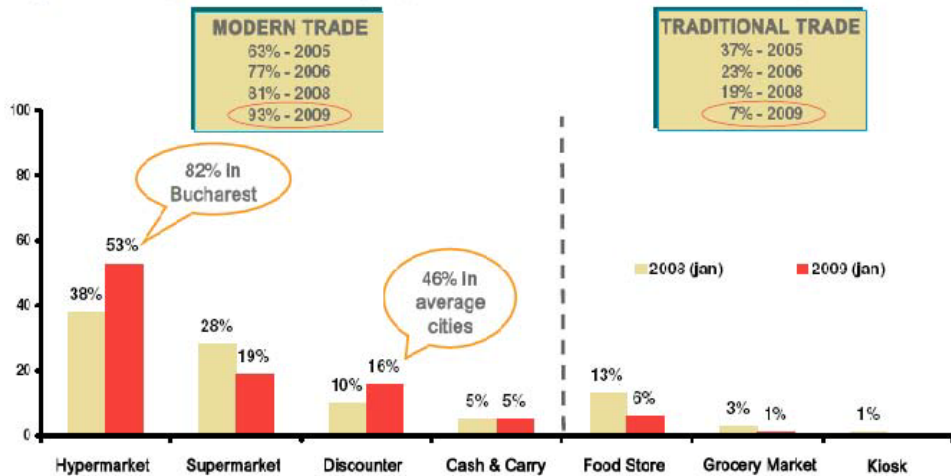


Figure no. 1 The evolution of unemployment rate and net monthly wage during the period 2001-2008

Source: Monthly Report of RNB, August 2008

Another important tendency is represented by a greater focus on healthy products (natural content, the presence of some healthy ingredients – Omega 3, oxidation preventives, etc.). Consumers are educated and give more attention to the label, contents and nutritional information.

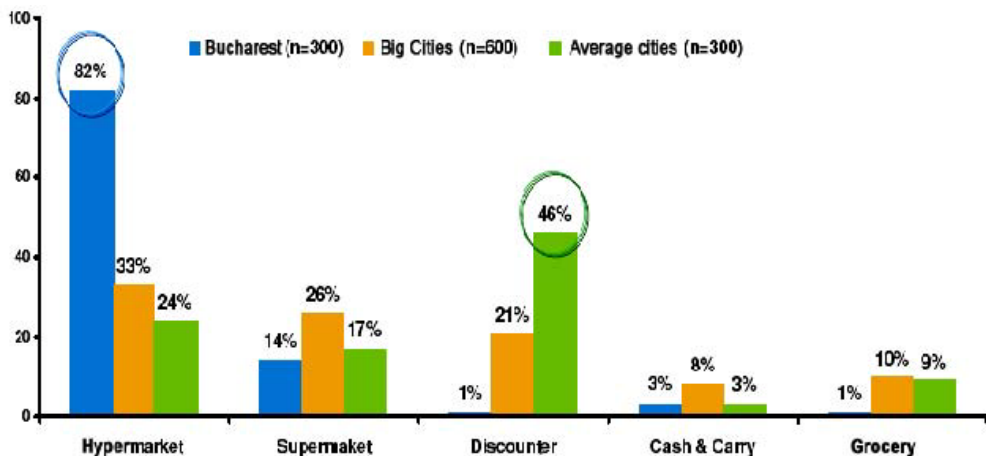
Regarding the retail format to which the consumers' budgets mostly focus, we can notice that hypermarkets attract the most financial resources and discount stores close a lot to the supermarkets from this point of view. (Nielsen Institute, Shopper Trends 2009).



Basis: all respondents (n= 1200)

Figure no. 2 Retail formats in which the most part of household budgets is spent
Source: Nielsen Institute, Shopper Trends, 2009

Referring to the tendencies on cities and the preference for a retail format, in Bucharest, monthly shopping is especially directed to the hypermarkets, meanwhile in average cities, the supremacy is earned by discount stores. In big cities, households share more and more the budgets between hypermarkets, supermarkets and discounters, according to the data provided by the same institute.



Basis: All respondents (n= 1200)

Figure no. 3 Preference on cities for a certain retail format
Source: Nielsen Institute, Shopper Trends, 2009

Another tendency noticed in Romania is related to the more frequent buying of the products being under the private brands of a certain retailer, in 2009 than in 2008 and especially in the capital.

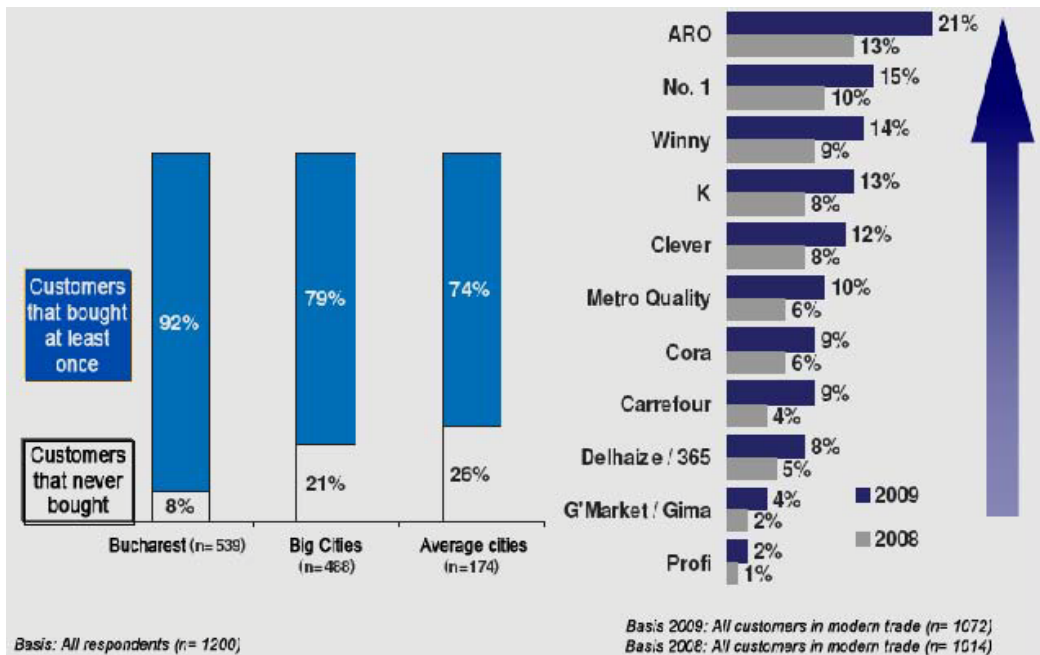


Figure no. 4 The level of buying private brands of the large commercial centers in 2008 and 2009, as well as on cities

Source: Nielsen Institute, Shopper Trends, 2009

The retailers' private brands in our country didn't make a clear image in consumers' minds: either they are considered an attractive alternative to the producers' brands ("+"), or they are options that must be carefully evaluated in order to be bought (they are rather unknown, don't offer the same quality-price ratio, address to those with low incomes). The results of the survey initiated by Nielsen Institute, in 2009, are highlighted in a suggestive way in the following figure (fig. 5):

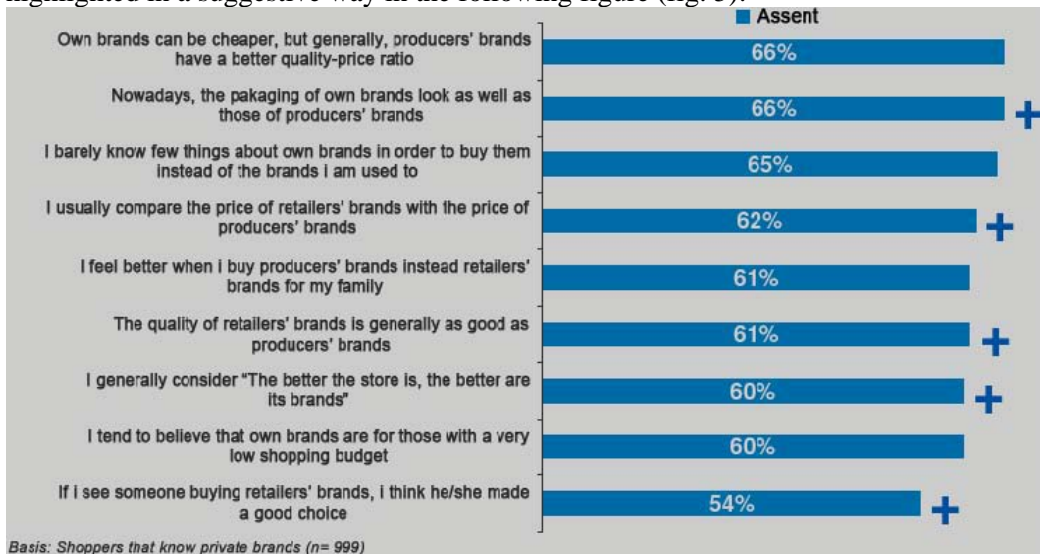


Figure no. 5 The image of the private brands of commercial centers

Source: Nielsen Institute, Shopper Trends, 2009

The level of incomes and the present economic context raise the attention given to prices by the potential consumers. In households with lower incomes, this behavior is more evident, as well as in average towns (46% and respectively 39%), according to the data provided by Nielsen Institute, in 2009 (fig. 6).

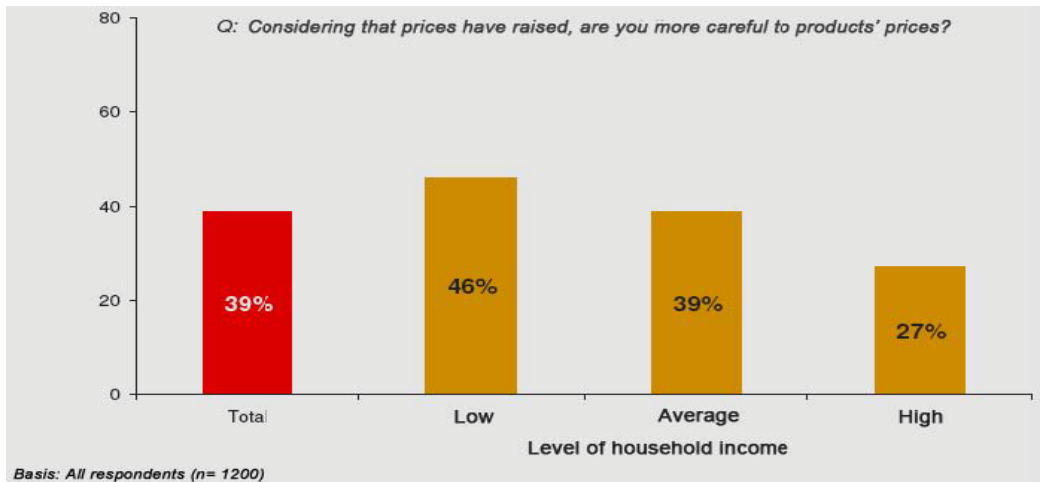


Figure no. 6 The importance of price for customers, function to the income category, in 2009

Source: Nielsen Institute, Shopper Trends, 2009

As a consequence, the increase of prices determine the customers to prioritize buying of the current products from the daily basket, but also to control of excessive shopping and promotions hunting, tendencies that reflect themselves in the results of a survey realized by Nielsen Institute (fig.7).

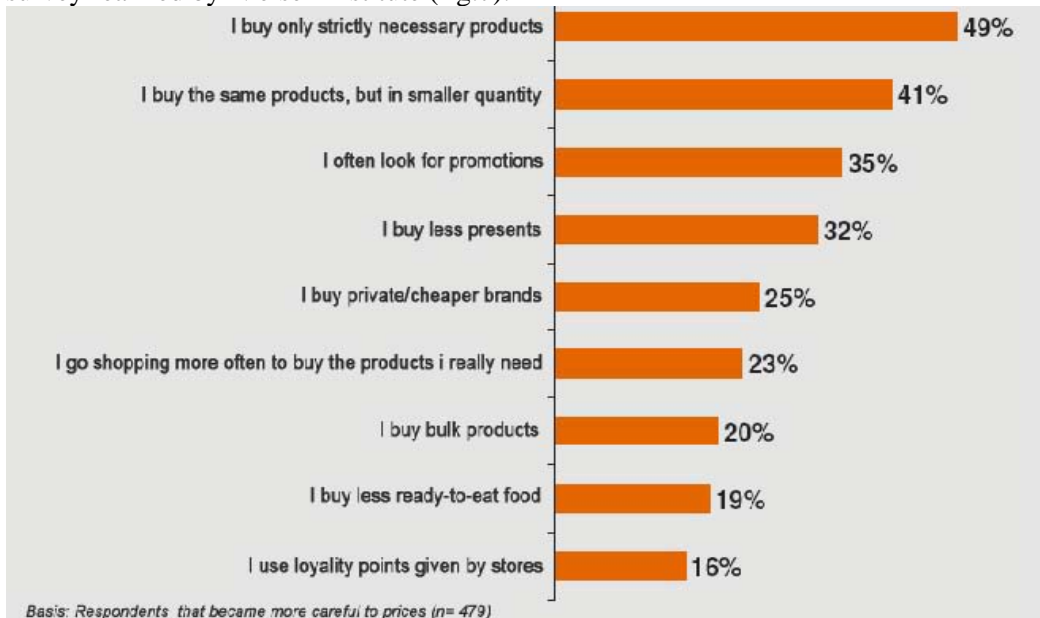


Figure no. 7 Consumers' orientation in conditions of price increasing

Source: Nielsen Institute, Shopper Trends, 2009

Regarding consumer behavior, during recession, the institute realized a comparison between the tendencies in our country and those from abroad, related to certain consumption habits.

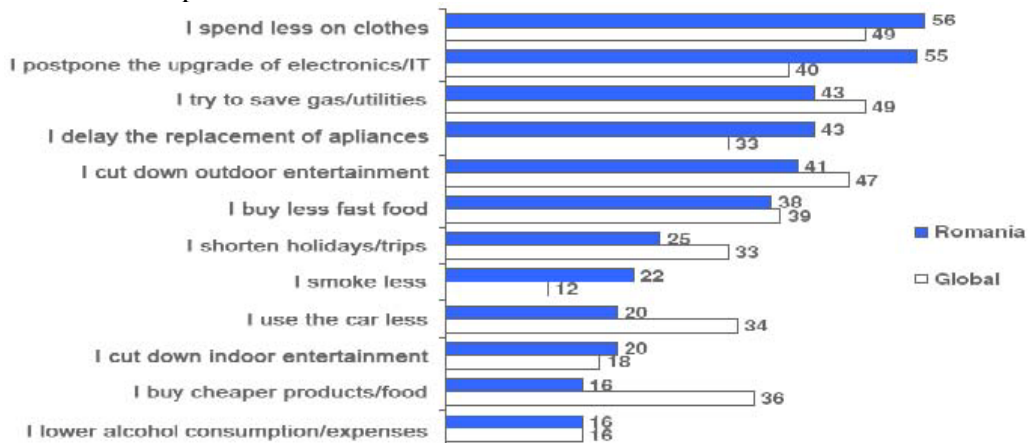


Figure no. 8 Consumption habits during recession, comparative to the situation from abroad

Source: Nielsen Institute, Consumer Survey, October 2008

We notice that just 16% from the respondents in Romania buy cheaper products, comparative to other countries, where, on average, 36% of the consumers focus on such products. As tendencies, Romanians spend less on clothes, outdoor entertainment, electronics and appliances, during recession.

3. CONCLUSION

The economic development and the political stability are essential elements that influence the development of the national retail market. In the last years, these determined both the increase of Romanians' purchasing power, and also the change of their consumption habits.

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. The number of the new launched stores on the Romanian market is continuously increasing. But the news in the national retail sector is not represented just by the new commercial units, but also by the different types of retail formats that start to look for clients.

However, of all forms now present on the market, the Cash & Carry has mostly succeeded to loyalise its customers. 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.

Low prices at most items and promotions have gained important positions in customers' loyalty, meanwhile features like the assortment, premium brands and the atmosphere become secondary in stores' attractiveness. Hypermarkets attract the most part of households' incomes, strengthening their supremacy by higher earnings comparative to 2008. 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. Modern retail development, one of the main factors that led to the increase of consumption in the last years, continues to play an important role on the Romanian market.

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