

IMPACT OF THE MAIN DISTRIBUTION CHAINS UPON THE TRADING ACTIVITY IN ROMANIA

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Keywords: commerce, distribution, traders, supermarkets, hypermarkets.

Abstract: The trade, by its functions and by the nature of the activities carried on, represents a main component in the system of a national economy. The trade plays a social role, constituting a contact point between the citizens and the local community, where the most recent information, as concerns lifestyle, cultural schemes and community activities, circulate. In the European Trade Green Book the quality as major factor of commerce is mentioned, it constituting the “keystone of the social European model”.

The countries of the European Union knows a continuous development marked otherwise by the extension on global level of the big European traders. The 1990's proved to be the most active as concerns globalization in the trading activity. Due to the saturation other their own markets, the European traders were obliged to extend their business in countries where the commerce was or is still fragmented and the populations have enough income to become clients of the supermarkets and hypermarkets. For the big traders, the sales on foreign markets represent a market share larger and larger of the total sales of the global traders. The growth premises are the more favorable as 90% of the world population lives in areas where the commercial infrastructure is an incipient phase.

The majority of the European traders have activities in many countries of the continent. Some have extended only in Western and Eastern Europe, but more and more traders are present worldwide. Thus, especially Carrefour and Casino Guichard-Perrachon of France, Royal Ahold and SHV Holdings/Makro of the Netherlands, Delhaize Group of Belgium, Tesco of the Great Britain and Metro of Germany represent the leaders of the expansion in Latin America and in Asia. At present, 60% of the first 65 traders having activities outside the countries of origin are European, followed by Asian (11%), North-American (9%), Latin-Americans (8%) and Africans (6%).

A factor, which urged the process of consolidation of the European trade, was the fast proliferation of the chains of hypermarkets and supermarkets and their threat, implicitly, on the small and middle traders. In some case, this fact led to legislations in the field of prices and to restrictions in building large shops. These fears, as well as the desire to be market leaders on the new markets, determined companies such as Carrefour, Casino, Leclerc and Auchan to make mergers and purchases or to extend on foreign markets, especially in Eastern Europe, Asia and Latin America. The degree of consolidation varies from a country to another, existing a clear difference between the North and South of the Western Europe. Thus, if in Greece, Spain and Italy the market share of the supermarkets and hypermarkets does not exceed 50-60% from the whole market, in the Netherlands, Great Britain or Belgium the market share of these stores is approaching 90%.

As concerns Central and Eastern Europe, the multinational companies have, here too, started to dominate the trade with food, especially in the last decade. The number of hypermarkets in this region grew with 65% from 2000 until present, while the market share of the supermarkets and hypermarkets in Hungary, in the Czech Republic, in Romania reached 50% of the market in 2006. The level of consolidation is, far from the one of the advanced markets. The small shops are still the favourite destination for shopping. The medium size stores (200-400 sqm) might first disappear, because they compete directly with the large size stores, with sales area of 2500sqm.

During the last years, in the Romanian trade took place significant structural changes, if one considers the development of new logistic structures, adjusted to the present requirements of the market. New marketing techniques were implemented and developed and at present, the retail distribution is actually private and records a sales volume of Euro 4.8 billion approximately.

During the last years, under the pressure of the prices and of the small incomes, the Romanian consumers directed towards points of sale practicing smaller prices, thus, one might explain the success recorded by the large trading surfaces. These surfaces are frequented both by the high revenue consumers and by the other with smaller income. As there results from the studies carried out by the large market research companies, in Romania there are no middle class buyers, this segment representing the most important segment for supermarkets and hypermarkets. This is why 10% of those wealthiest buy as 50% of the poor.

Therefore, the context proves timely for the Western investors confronted with clogged markets in the countries of origin and for which the economies in expansion in the Eastern Europe represent an attraction point and a source of vital increase. The modern forms of trade present on the Romanian market are represented, mainly, by concepts as: hypermarket, supermarket, and discount.

The concept of hypermarket in Romania, brought by *Carrefour* (2001) was well received among the consumers. In fact, the opening of this represented a reference point in the history of modern commerce in Romania. This is present by a joint venture made with another distribution group Hyparlo, which administrates Carrefour stores. The Carrefour strategy for Romania, foresees, among other, opening of 24-25 trade centers, the target following to be represented by the cities with over 200,000 inhabitants. The key strategy used by Carrefour to attract the clients is reduced to five main aspects: the discount price policies (small prices every day), a large scale of products (over 50,000 items), the special quality of the products and especially of the fresh products, the numerous services proposed to the clients as well as the innovation – the newest products entering the market are present in Carrefour.

Delhaize Group is a Belgian retail seller, distributing preponderantly food products, is activating in 10 countries of three continents and in Romania is present with the hypermarket Cora. All along the hypermarket chain Cora, Delhaize includes also a series of supermarkets such as – Match (148 units in France, 7 in Belgium, 5 in Hungary, 5 in the Reunion Isles, 3 in Antilles Isles, 3 in Vietnam, 1 in Mayotte Island, 1 in Madagascar), and in Romania it acquired the majority package of the supermarket Mega Image, and stores specialized in gardening –Trufaut (36 stores), stores specialized in animals- Animalis (9 shops), hard –discount stores –Profi (in Belgium, Luxembourg, Hungary and Romania), as well as a cyber market –Houra, a bank and logistic services company, located in several regions of the globe. The Delhaize Group penetrated in Romania all together with opening the Profi store in Timisoara. In 1999 the group

bought 51% of the Mega Image network, and in 2002 it began to build the first Cora hypermarket, which was inaugurated in 2003, the value of the investment reaching Euro 50 million. The reasons underlying the decision of the group to invest in Romania were given by the characteristics of the Romanian market, this being the second in magnitude in Central and Eastern Europe, the improvement of the economic environment and the stability of the legislation environment.

The **Rewe Group**, with German origin, is among the market leaders in Europe, not only as concerns the sales achieved but also from the number of employed persons viewpoint. Rewe Group invested in Romania several stores (Billa, Penny Market), the first project being represented by Billa supermarket, inaugurated in 1999, in Bucharest. The average surface of a store is 2000-2400 sqm, to which a parking area of over 200 places is added. Billa trades a number of 10,000-12,000 products and have over 100 employees. The main target is represented by the intention to open 10 stores per year. Together with Rewe Group, on the Romanian market are also present other German origin operators, One speaks about Tengelmann, present by the discount type stores -* Plus and Lidl&Schwartz, holding Kaufland chain. Although hypermarket format, Kaufland operates following discount principles with low costs and low margins. At international level, over 600 stores represent Kaufland concern. The hypermarkets with self-service have a total sales surface ranging between 2500 and 12000sqm, from own trade marks and until products offered by the regional producers and famous trade marks products. The rhythm of expansion provided the inauguration of 15-20 stores per year, each such unit needing an investment of Euro 8-10 million, for an average surface of 3000-4000 sqm.

In 2007, a new hypermarket penetrated the Romanian market, **Auchan**. The Auchan Group is one of the most important retailers in the world and it is present in 12 countries with 394 hypermarkets and 702 supermarkets. In 2006, the Auchan Group registered 1,13 billion clients.

The market share of the supermarkets is also very active, all the networks, Romanian and international, being in consolidation and expansion processes.

The impact of these distribution chains was a benefic one for the trading activity in Romania, if one considers their presence determined the local retail distribution chains development, specialized in various fields, such as: the development of the pharmaceutical products, books, music, electronics, furniture, fashion, cars.

The development of the autochthonous chains of stores led to the occurrence in 2003 of the Association of the Big Commercial Networks, including 13 members, representing the most successful companies on the market: Flanco, Bricostore, Cora, Carrefour, Diverta, La Fourmi, Mega Image, Mobexpert, Domo, Praktiker, Profi, Selgros and other.

The commercial complexes, represented in Romania by Bucharest Mall, Plaza Bucharest, City Mall, Unirea Shopping Center, Bega-Timisoara, Tomis-Constanta, Iulius Shopping Center Iasi, offer the possibility not only to make shopping, by the existence of supermarkets and commercial galleries, but also to spend the spare time.

The competition between international companies on the Romanian market grew quite a lot, and its effect is mirrored upon the prices. The international suppliers are obliged to keep the pace with the numerous campaigns of discounts. Both suppliers and the large retailers are in the situation of accusing each other of non-loyal treatment. The producers say they are forced by Metro, Selgros, Cora or Carrefour to give discounts, determining them to sale under the limit of profit, while the representatives of the big

distribution chains accuse the suppliers of their desire to keep artificially a certain level of the prices.

The advantage of entering the Romanian market of the hypermarkets is the one of changing the mentality within the Romanian producers. These realized the fact that, in order to withstand the competition they must radically change the way the products are conceived. The method of packaging the products changed, the quality changed and money were invested for their promotion. Entering the retail market of high surface stores has completely changed the position of the Romanian producers and of the distributors on the market. Unfortunately, the number of the Romanian producers succeeding to impose in the sales of the large surface stores is very limited, even if, in most cases the quality of the products is very similar with the one of the Western European products. Giants as Unilever, Procter&Gamble or Coca-Cola further dominate the market.

The retailers in Germany and Austria benefited by the advantage to be closer to the Western European markets and entered the market, obtaining a temporary advantage towards other competitors. The international networks also from Belgium, France and England has begun or intends to invest in Romania. This extension of the large distribution chains is surely a benefic contribution, which does nothing else, but stimulates the domestic trading activity.

The accentuated rhythm that attained the Romanian trade in the last years, will grow, which means the competition will begin to be more and more harsher. The most aggressive “war” will be the one of the prices –good news for the clients and for the inflation index, but extremely unpleasant for the suppliers which will be obliged to maximize the efficiency of their business in order to stand this pressure. The discrepancy between the capital and the rest of the country begin to attenuate, although the living standard is further more attractive for the retailers in Bucharest. The discounters will have a greater contribution in modernizing the trade in the medium size cities (30,000-40,000 inhabitants) and, in the future, in the rural area, while the cities with over 200,000 inhabitants will become more and more attractive for the supermarket and hypermarkets. It is a reality the fact that outside Bucharest, the trade remains preponderantly traditional, dominated in an overwhelming proportion by the small shops and by markets. However, the purchasing power is under increase and a middle class, with better financial possibilities is more and more outlined.

The development of the Romanian market and the increase of the purchasing power will inevitably influence the penetration in Romania of the large international distribution chains, joining thus those existing, among which Carrefour, Metro, Rewe, Delhaize, Lidl&Schwarz, Tengelmann. These networks entail major changes in the other ways of distribution. The traditional stores are changing, refolding, in order to face the competition of these giants. The distribution has however to win as consequence of the presence of hypermarkets, because it is made with lower costs and in higher volumes. The market is however, far of being mature or clogged, it being further in continuous development, which presumes changing every year.

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