

ASPECTS OF THE ROMANIAN FOOD RETAIL MARKET

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Abstract: *Starting from the strategic importance of trade in the development of any society, the paper aims at highlighting a series of aspects, typical to the Romanian market, in terms of commercial activity. This way, we will first submit an overview of the evolution, followed by inland trade in Romania; then we analyze retail in the food industry, as a significant part of the Romanians' consumption expenditure is still targeted towards this type of consumption.*

Key words: *retail trade, consumption expenditures, store chain.*

1. Introduction

According to the concept of sustainable societal development, trade has strategic importance for the balanced and viable development of the economic-social systems in any country, it represents one of the most important sides of modern economy and it has thereby turned into the main element of market economy, regardless of its form [2].

In addition to rendering available a great variety of goods for the population, which leads to increased wellness and living standards, trade significantly contributes to the formation of the Gross Domestic Product, and is one of the greatest employers in the Romanian economy; for instance, the first 10 retailers on the Romanian market had 50.000 employees in 2012, 12,5% more than the previous year [7].

The Green Paper of the European Trade specified that, “as major decisive factor of the social and cultural styles, of lifestyles and of spatial planning, trade constitutes

the cornerstone of the European socio-economic model” [6].

The activities conducted throughout the European Union have already been influencing commercial life in many ways, the trade indirectly benefiting from the politics it promotes in fields such as regional development, environment protection, consumer protection, research, labour force qualification [1].

The retail trade throughout the European Union underwent a monitoring exercise launched in early 2009. This sector was chosen due to its importance in the economic-social life, as it represented (year 2009) 4,2% of the European Union's Gross Domestic product, 17,4 million persons, 20% of the European Small and Medium Enterprises and influenced numerous economic activities both upstream and downhill. The conclusions of this monitoring were used in order to sketch the measures that might be adopted for a better functioning of the inland market in this sector. These measures aim

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at enabling the companies in this sector to optimally use the home market liberties, at stimulating commercial services, at favouring innovation and at enforcing the objectives related to economic, social and territorial protection, and likewise related to labourer, consumer and environment protection. It is considered that “intelligent, sustainable and inclusion-friendly trade and distribution directly contribute to the success of *Europa 2020* strategy [8].

2. Commercial activity in Romania

The inland trade is a sector of significant weight for the national economy, a dynamic sector with consequential positioning within the Gross Domestic Product. After 1990, the Romanian trade has undergone constant change, the types of stores have diversified, in terms of specialization, forms of sale, payment methods etc., each store network having its own marketing and expansion strategy [5].

Nevertheless, in 2012, the Romanian retail market stood at the level of 21,5 billion euros, which is not much, if this figure is related to the population’s size and is compared to other European Union countries (table 1)[9].

Table 1

Country	Population (mil)	Retail (bn. euro)
Poland	38.5	85.4
The Czech Republic	10.5	28.7
Romania	20,2	21.5
Hungary	9,9	18.7
Slovakia	5.41	16.4

Albeit these figures are suggestive, Romania is allegedly a market of high potentiality, as significant mutations are conspicuous with reference to the types of operators that are active in commerce and to the range of products offered to

consumers. The competition of the foreign and multinational trade companies broke through more timidly and difficultly in Romania, as compared to other countries, but it became significant and currently represents a real challenge to the autochthonous entrepreneurs acting in the retail trade.

Important structural modifications have occurred in the Romanian trade by the development of new logistic structures, adapted to the current market requirements, structures which resort to cutting-edge marketing techniques. The Romanian market has seen the entry of great distribution network forms, retail or wholesale, the development of trade in supermarkets and department stores.

The fragmented character is another defining feature of the Romanian retail trade, a feature which derives both from the dimension of the existing units (a great number of small units still existing) and also from the concentration of ownership (which is low, as there is a relatively small number of store chains).

This feature can be likewise proved with the data provided by the National Institute of Statistics for the year 2011 [10]; thus, throughout the country, 124407 retail outlets existed, whereof only 54 (0,04%) had a surface of over 10000 m².

According to a study conducted by GFK Romania, in December 2013, for the first time after 1990, the weight of modern trade surpassed the weight of traditional trade within the overall commercial activity (figure 1) [11].

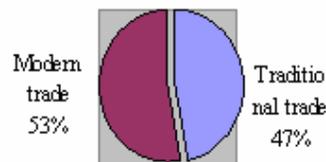


Fig. 1. *Weight of modern trade*

According to the same study, the greatest share of modern trade is held by hypermarkets (28%), followed by supermarkets (13%), discount stores (9%), proximity stores (2%) and cash&carry (1%).

The low value of the investment necessary for establishing a small commercial unit became, after 1990, an attractive alternative for the excess of labour force, especially in the context of the dramatic reduction of the occupational weight in industry. Note however that the quantitative development was not accompanied by a proportional rise of service quality, business enhancement and market concentration, at macroeconomic level [4].

Since 1993, the retail trade has been strongly influenced by the apparition of store chains owned by foreign investors. They determined, among others, the diminution of the kiosks and mixed shops, which dropped significantly. If, in 2001, only 9% of the 6896-million-\$-turnover from foodstuff-retail sales was yielded by supermarkets and hypermarkets, as compared to other States (for instance Poland 39%, Hungary 58%, Czech Republic 63%), nowadays, as previously

shown, modern trade occupies 53% of the sales volume.

The great retailers in Germany and Austria benefited from their proximity to East-European markets and were the first to enter therein, acquiring a temporary advantage over other competitors. Other international networks from Belgium, England and France began thereafter to invest in Romania.

3. Food retail on the Romanian market

At present, the weight of the food consumption within the total household consumption in our country is significant, being the main component of the gross domestic product (61% in 2012); hence, it is interesting to analyze what happened on the food retail market and which are the perspectives of this market. According to the Statistical Yearbook for 2012 [12], the highest weight of the total consumption expenditures of households was held by food and soft-drink expenditures (figure 2).

The data show that agrifood products, alcoholic beverages, alcoholic products and tobacco cumulatively represent half of the consumption expenditures of the Romanian population.

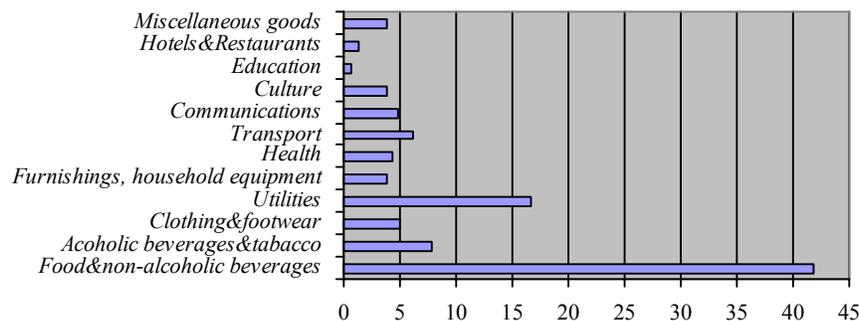


Fig.2. *Consumption expenditures of the Romanian population.*

This situation much differs from the one at European Union level–27; where, by the year 2010, almost one quarter of household consumption was assigned to utilities

(water, electricity, gas and other fuels), whereas the expenditures on food and soft drinks only represented 12,9% [13].

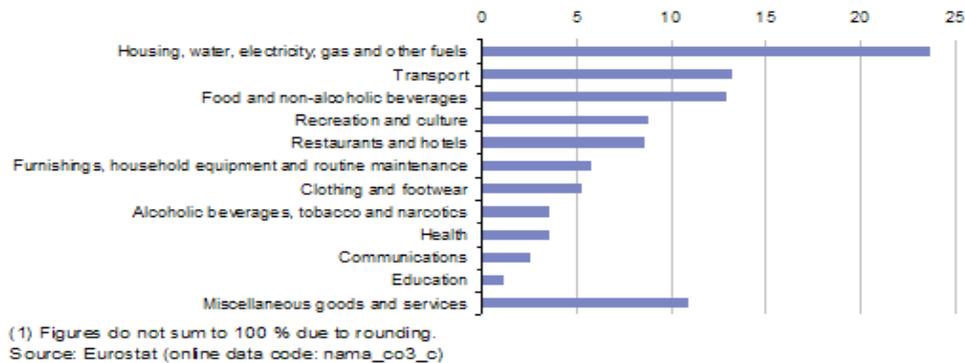


Fig. 3. Consumption expenditures of the EU-27 (2010)

Source: http://epp.eurostat.ec.europa.eu/statistics_explained/index.php/File:Consumption_expenditure_of_households, accessed: 8.04.2014

Starting from these considerations, one can explain the expansion of the great food retail chains on the Romanian market, which has always been reckoned as rich in potential. Next, we propose an overview of the development of the main commercial operators of the food retail market.

On the hypermarket segment, Carrefour, a consequential player on the World Trade Market, the first European distribution group and the second worldwide, was also the first retail chain to have opened such a store on the Romanian market and to have developed on several levels, the market holding, in 2013, a number of 25 hypermarkets Carrefour, 78 supermarkets Carrefour Market, 58 convenience franchise-type stores, Carrefour Express Angst and an eCommerce website.

The next store chain to have applied this store concept on the Romanian market was Cora; which, since 2003 has developed, being on constant rise and reaching, in 2013, a number of 12 stores. Auchan, the French distribution group, ranking second worldwide (after Carrefour), is also the tenth food distribution group worldwide,

which took over 20 stores from Real network in 2013, which it was to re-brand, investing 40 million euros. This way, in Romania, Auchan has 31 stores opened and 2 under construction [14].

Kaufland, the German retailer, with a fairly extensive network on the Romanian market and throughout East-European countries, has been on constant increase since 2005, when it entered the Romanian market, reaching 89 units, and it intends to exceed 100, by late 2014.

The supermarket segment afferent to the Romanian market is dominated by two chains; the former, an Austrian one, Billa, dominated the market in the 2000s, reaching 80 commercial units, and it intends to continue its expansion by opening new stores and by modernizing the existing ones. The latter, a Belgian one, Mega Image, exceeded in number the chain Billa, being the most active commercial operator on the Romanian market, as it opened 168 stores (holding, besides, 127 stores Shop&Go and a branded store AB Cool Food) [15].

The time of crisis has stopped neither the expansion, nor even the breakthrough (Lidl) on the Romanian market, of the discount retailers, the studies showing that, during this time, the Romanians appreciated (and still appreciate) the offer of such commercial units. This way, Profi, which was the modern retail chain with the most aggressive expansion throughout Romania, in 2011 (according to *Ziarul financiar* newspaper), reached 191 stores in 2013 and intends to reach 300 units and 6000 employees by late 2014. In 2013, Penny Market opened 15 new stores and reached 149 commercial units [16].

One of the most aggressive entrants in the Romanian market, yet with a very well planned strategy, was the German chain store Lidl, which is one of the greatest discount stores throughout Europe, as it renders available stores in over 20 European countries and ranks among the first 10 grocers worldwide. At present, Lidl holds approximately 10.000 stores and over 170.000 employees. Lidl started on the Romanian market in 2011 by re-branding the 107 stores Plus. By late 2013, it had 3800 employees and 174 stores in Romania.

3. Conclusions and discussions

The data previously presented prove that the year 2013 was characterized by a fairly large expansion of the international commercial operators, as, for the first time, modern trade, practiced through civilized commercial units, exceeded traditional trade, in terms of sales volume. This expansion, even if not made amid population expenditure increase, is beneficial, because it leads to competition intensification on the food retail market.. Nevertheless, owing to the still high weight of the stable rural population (46%) and to the still changing shopping and consumption habits, our country is behind

other European Union States. As regards the types of open commercial units, the small business units prevailed, such as supermarkets and discount stores, which have smaller surfaces, require lower investment and are adequate as proximity (convenience, neighbourhood) stores or are ideal for the towns with a smaller population, to the detriment of the hypermarkets. An aspect that cannot be overlooked and that is worth mentioning is eCommerce, and its expansion respectively. With an Internet penetration rate in Romania of over 48%, with more than 9 million users in 2012 (according to Internet Word Stat), it stands to reason that great food retailers also follow this trend and avail themselves of this opportunity, Carrefour and Cora making the first steps by creating the home-order store (carrefour-online) or the portal Cora Drive. Studies show that the weight of the Romanians who buy foodstuff online rose from 4,8% in 2011 to 7,2% in 2013 [17]. Therefore, the rapid expansion of the online stores on the non-food segment (4000 online stores) will probably be a characterization element of the Romanian retail, in parallel with the further territorial development of the great store chains.

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