

THE LEVEL AND THE DYNAMICS OF THE RETAIL TRADE ACTIVITY IN ROMANIA

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Abstract

We are a consumer society. Today the trade has a significant share in the GDP of all countries worldwide. Within the commercial activity a special importance has the retail trade, that commercial link which addresses to the final consumer. In Romania, this activity is attractive for both small entrepreneurs and large international retail chains, whose market studies have shown that their entry on the Romanian market will be profitable for their business. The level and the dynamic of retail trade was analyzed in this paper on a time horizon which included the period immediately following the onset of the economic crisis in 2008 but also the period in which Romanian economy as a whole as well as the trade entered an new uptrend. The indicators used for the analysis were to the value of the retail sales by main commodity groups, the volume indices of this activity as well as the structure of the branch network which perform retail trade activity.

Keywords: trade activity, retail trade, commercial network, sales value, commercial surface.

JEL classification: L18, L25

1. Introduction

Within the concept regarding the distribution of goods, retail trade is considered as a field that includes all activities involved in selling goods and services directly to the final consumers, to be used for private, noncommercial purposes, thus achieving an important role in framework distribution of the products, representing the most important intermediary link and unavoidable in the flow of producer-consumer relations.

Thus, given the complexity of the activity taking place within this area, besides the economic relations of exchange, retailing also requires legal relations, banking, services and labor relations, through which it integrates to the market mechanism, being directly connected with all four components of the global market: the market of goods and services, the capital market, the monetary exchange market and the labor market. Therefore we can appreciate that by complexity of relations systems that underpin this activity and also through the general connections in the market circuits, retail trade holds an important place in framework of the economic mechanism of any society (Patriche et al., 1999, pp. 112-113).

2. The retail trade activity

Define the concept of retail trade is a concern of specialists in this field, the approaches from Romanian and foreign literature being quite similar. Lefter Chirică considers that "retail trade is that structure of the movement of goods which buy goods from wholesalers enterprises, directly from producers or other suppliers, which then resell them to consumers or end-users" (Chirică, 2009, p. 209). With the same concept we also found the definition of Dumitru Patriche, according to which "retail trade represents a set of activities and relations organized and carried out by specialized units on the movement of goods, for the purpose of the supply to consumers or end-users" (Patriche et al., 1999, p. 78).

The marketing specialist Philip Kotler, on the one hand simplifies the definition "the notion of retail trade includes all activities involved in selling goods or services directly to final consumers, to be used for private, noncommercial purposes", and on the other hand extends its definition by further explanation which take into account that "any organization practicing this trade - be it producers, retailers or wholesalers - carries out retail trade" (Kotler, 1997, p. 70).

In order to ensure supply of goods in the market, retail businesses, regardless of ownership, affiliation, type, structure and size, obtain supplies of goods from wholesalers or producers, then constitute in their units stocks of goods and then sell them to consumers. This makes that, in terms of logistics, retailing to represent a unity of three processes: supply-storage-sales, unity within which the goods sales constitute the essential activity, specific to the exchange relations within this type of trade (Patriche et al., 1999, p. 79). Also, these three interacting processes form the retail movement of goods.

By carrying out a well-defined activity in the distribution of goods, retail trade has a certain specificity. This is given by the following main characteristics of the retail trade (Chirică, 2009, pp. 209-210):

- ✓ The goods sold through retailers network (shops or commercial units) are intended with predominance, for individual consumption, in this case the population;
- ✓ The sale-purchase is made, usually using "cash", the payment being made through the commercial units cashiers, but are not excluded other payment forms that have emerged and expanded in Romania, namely value vouchers, bank cards etc.;
- ✓ Ensure the population a complex and diversified assortment of goods;
- ✓ The goods are sold, usually in small quantities, necessary for the individual consumption, family or collective;
- ✓ The retail trade complete the circuit of goods circulation from the producer to the consumer or the final user;
- ✓ The retail trade has the most extensive network of retail outlets, spread in all areas and localities around the country etc.

Through the extremely heterogeneous content of the activity, through the complexity of the relations systems underlying that activity and through general connections in the market circuits, retailing hold an important place in the economic mechanism of any society.

The analysis of the economic role of the retail trade should start from the assumption that the retail is indispensable in the economic life of a society, because through this the products are made available to consumers, at the place of consumption and are offered according to their purchase opportunities. Such a role remains the same, be it traditional trade conducted through small shops with a small area, be it new commercial surfaces whose dimensions reach tens of thousands of square meters. The only issues that come to nuance the importance of that role are given by the way of purchase of every unit type, the complexity assortment, the selling methods, the facilities granted to the buyer and the services provided for them. (Patriche, 2003, p. 79).

The fact that through this activity, the retail trade is a link between consumers and producers, whether as an independent intermediary link either together with wholesaler trade, generates a range of its specific functions in the goods circulation. Among these, three are of particular importance (Patriche, 2003, pp. 80-81):

➤ The first function refers to the fact that it buys goods which it then resell in smaller quantities. Under this function, retail trade buys goods in quantities corresponding to the storage capacity of each unit within the distribution network, quantities which are then decomposed, these goods being made available to different categories of customers in small and very small quantities, sometimes even in the lower limits of the sale standard (for example, measurable sales through submultiples of meter, liter or kilogram). Such a function generates, at the turn, undeniable advantages for customers, which on the one hand, must not invest their funds only to purchase products quantities that are strictly necessary, and on the other hand, is exempt from the storage care of the products in quantities that would exceed current consumption.

➤ The second function aims to ensure the presence of the retail trade units in all localities, areas and populated points. The ubiquity of the retail sales units requires both a location in all the points of consumption regardless of the access conditions specific to localities or geographical areas in which they are located, and their opening all the days of the year according with a program corresponding to the request of the supplied customers segments. As a consequence, ensuring the ubiquitous of retail trade takes into account both the trade made through the large department stores, the small neighborhood stores and the ones from some isolated villages or chalets from the mountain, as well as various forms made through the mobile commerce, the correspondence trade or the electronic commerce.

➤ Finally, the third function refer to the providing a very wide and highly complex assortment, making available for the population all products made by agricultural or industrial producers. Be noted that this specific function of retailing envisages on the one hand, its theoretical possibilities to obtain supplies from all producers or from all wholesale commercial enterprises (including those with the status of importer), and on the other hand, takes as premise the nature and the purpose of some large areas of sales that were created precisely to form and ensure the universality of the assortment of goods that are to be made available to the public or to ensure the universality of the assortment of goods from the commercial sector in which they operate. By means of this function, is ensured to the buyers both the maximum potential to obtain supplies with the goods needed or desired, as well as wide opportunities in choosing the products they consider to be best suited for meet their needs. In connection with this function should be pointed out that the analysis should consider several elements such as the daily universe, the universe of technical and scientific development of the society, the milestones, the purchasing power of the population in each locality and the nature of the requirements from every point of consumption, which together outline the training field of supply and demand and also the dimensions of the sphere of their confrontation, a phenomenon that has an impact, ultimately, on the universality of needs.

Retail trade activity is given by a complex of relationships organized and developed by companies and specialized units in the movement of goods, which aim to supply the final consumers. Given the wide variety of the commercialized goods, the heterogeneity of the supplied consumers and the diversity of the commercial technologies, the structure of this sector presents a very complex typology in terms of both the forms of marketing and also in terms of the completion of the selling process of goods.

The universality of the goods forming the retail offer, the specific marketing conditions of each group of goods, the means of achieving of the exchange relations and a number of other minor factors generate various forms for

pursuing the retail trade activity. Each of this forms have some particularities regarding the network of the selling units, the commercial equipment used, the forms of organization of work as well as regarding the level of qualitative indicators of the economic activity such as: the speed of movement of goods, the labor productivity and the level of the circulation costs.

In order to satisfy consumer preferences, retailers seek to upgrade their sales and service activities so that they could fulfill consumer tastes. In practice, today it is found that, whatever category of products sold, retailers fall into four levels of services offered to the customer from the point of view of the sales form (Costea & Săseanu, 2009, pp.78-79):

- ✓ Self-service store;
- ✓ Store with direct choice;
- ✓ Store with limited serving;
- ✓ Store with complete serving.

Self-service store is used for several activities on the retail selling such as: current use goods, durables etc.

Store with direct choice is the one in which the consumers pay the seller the corresponding amount to purchase a particular type of article. This shop has operating expenses higher than self-service store because the sales staff must carry out activities regarding the choice of goods on which the consumer requires.

Store with limited serving is the store that sells durable goods for which customers need highly technical information. These stores offer certain advantages such as crediting services and/or the buyer possibility of returning the goods in case their requirements are not satisfied. As a result, the store with limited serving record higher operating costs.

Store with complete serving is one that has a numerous staff, which is available to clients and provides advice concerning all phases of the choice of goods, as well as information concerning the crediting systems, the products transport at home, the conditions for returning the inappropriate goods and many other facilities. This type of stores offer its customers resting rooms and restaurants and is addressed mainly to the sellers of luxury items, jewelry, video equipment, cars, registering much higher costs than other types of stores.

Another typology of the units in the retail trade envisages the place in which is performed the sale process and the assortment of goods sold. This includes:

I. Trade in stores, which includes:

- Grocery retail trade, where we distinguish:
 - Trade with general food commodities that takes place mainly in hypermarkets, supermarkets, popular stores, hard-discount stores;
 - Trade with specialized food commodities (bakeries, fisheries, butcheries, bakeries etc.).
- Non-food retail trade, which includes:
 - Unspecialized trade, which takes place in stores such as: department stores, discount stores, bazaar-type shops;
 - Specialized trade, which is conducted in large specialized surfaces, medium specialized surfaces and boutiques.

II. Trade without stores, which includes:

- The sale based on catalog;
- The sale through television;
- Doorstep selling;
- The sale by mail;
- The sale by telephone;
- E-commerce.

Regarding the distribution channels used in the retail trade, decisions to be taken to make the product to reach the client in optimal cost conditions, price and serving are multiple, interdependent and refers to the changes in the choice of the distribution channel, converging towards a new distribution network.

In choosing the most convenient distribution circuit must be considered the advantages and disadvantages of each potential channel.

The direct channel is the only one possible for certain products: major equipment goods (IBM for large informatics systems, Airbus industry); a large part of the services whose providers ensure the carrying out personally.

The short channel offers a number of advantages concretized in: a better control of products and services distribution; a performant contact with the market; a better dissemination on a given territory; a faster release of the product to the consumer; the guarantee of better service after sales; but also the inconveniences concerning: recruitment and the organization of a resale force for monitoring retailers; the need to control the promotional activity to ensure the participation of all retailers; increasing the administrative and logistical tasks; the emergence of some possible conflicts in the case of a poor distribution at the sales points.

Actually, the inconveniences come from the commission of the manufacturer with functions traditionally assumed by wholesalers. Through this channel passes a large part of the durable consumer goods or the consumer goods that are subject to an exclusive distribution, a large proportion of the intermediary goods and many services. Currently this channel continues to be the center of many conflicts between producers and distributors. Thus the

retailers were forced to specialize, to be members of some channels, to regroup in one form or another or to join a franchise network.

The long channel presents in turn the following advantages: provides a broad presentation of the products with a minimum of expenses in a situation where the wholesaler resorting to major purchases; provides storage and has the distribution task of a larger number of retailers; the manufacturer can maintain the sales force, with low effectives, the launch and the placement of the new products being facilitated by the wholesaler.

Unquestionably this type of channel also presents inconveniences which consist in the relative loss of the distribution control, which leads to a strong dependence on wholesalers and a loss of contact with the faithful clientele; higher distribution expenses due to higher limits by the wholesaler; possible conflicts with major distributors. The long channel used mainly for everyday consumer goods (food, cleaning products, textile products) and equipment goods, fosters the shift towards the integrated trade where the parent company holds the position of the wholesaler (Costea & Săseanu, 2009, pp.93-95).

Regarding the current trends and guidelines of retailing, these are the following (Chirică, 2009, pp. 223-224):

- The concentration of the retail trade activities, which leads to decreasing the number of the small units and the development of the medium and large ones, with large areas of storage, display and sale;
- The improvement of the distribution concepts and the creation of some new ones, as in the case of the commercial centers like "mall-center", "life-center" or the development of the discount type commercial units;
- The development of the distribution groups specialized in the marketing of the food and nonfood products;
- The increase of the commercial areas affected to the nonfood trade;
- The strong development of the online commerce via the Internet and of the retail trade without stores, in general;
- The increase of the vertical integration in the specialized retail sector;
- There is a growing emphasis in parallel with the "brand name", on the "trademark", which contributes to promote the image of the large companies and the multinational retail chains;
- The tendency of globalization of the trade activities.

3. The analysis of the retail trade activity in Romania

From the methodological standpoint, into national statistics, retail is "the activity of selling the goods to the final consumers, generally in small quantities and as they were bought, as well as retail through own shops of the enterprises producing the goods. Retail is developed through specialised shops, non-specialised shops, by mail, market outlets, kiosks and other types of trade". (NIS, *Statistical Yearbook of Romania 2013*)

Also the retail trade comprise the income achieved both by the enterprises having trade as main activity and by the enterprises having other activities, getting income from trade activity. Value data on achieved income are presented in current prices of each year, including VAT.

The level of the activity within the retail trade from Romania can be highlighted by income from this activity, both overall and on the main groups of goods. (Table no. 1)

Table no. 1

Incomes obtained by the establishments carrying out retail trade activities during the period 2008-2012 by groups of goods (million lei in current prices)

Sector	2008	2009	2010	2011	2012
Food goods	55479,9	51806,5	52398,5	56633,8	61691,0
Nonfood goods	71386,0	63987,4	65594,0	67097,8	72374,1
Retail of fuels	31325,6	24833,9	33523,1	45601,6	50815,6
Total	158191,5	140627,8	151515,6	169333,2	184880,7

Source: National Institute of Statistics, *Statistical Yearbook of Romania 2013*, p. 589

In dynamic the evolution of retail trade in the period under review highlights a growing trend, except for 2009, when the indicator value is lower than the previous year, falling to 17563.7 million lei (figure no. 1). The situation is understandable given the fact that in 2009 the effects of the global economic crisis made their presence felt most acutely, which being reflected in the decrease of the household income and consequently also the decrease of the expenses for the purchase of both food products as well as nonfood products. The more or less praiseworthy measures taken by the authorities and the natural transition of the economy into another phase of the economic cycle, determined in the coming years a steady increase in the level of the retail trade activity.

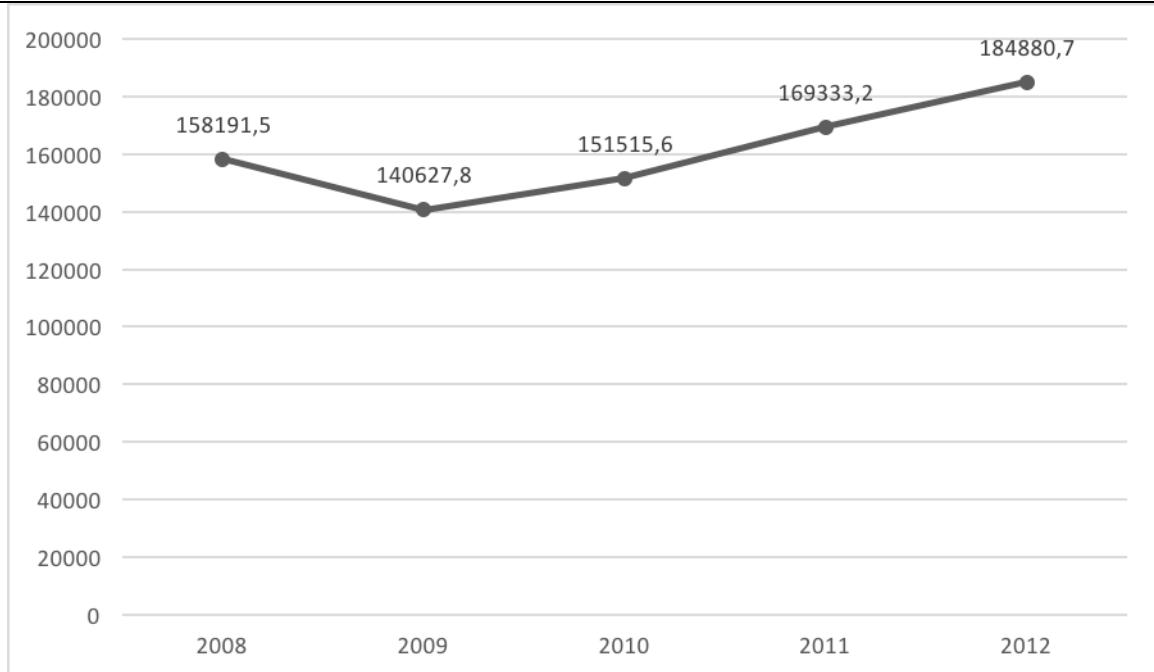


Figure no. 1

The evolution of the income obtained from the units that carry out retail trade activities in the period 2008-2012

In structure, the income obtained from the retail trade take into account the trade with food goods, non-food goods and the trade of fuels. From the total the largest share of 39.14% at the level of 2012 is held by the nonfood goods, hardly surprising if we consider the heterogeneity of this goods traded within this sector. However it can be seen that the food products sector, ranked second with a share of 33.36% in the same year approaches the value of the non-food sector. This is due equally to the high share of food expenditure in the consumption of the population from our country and to the high prices of the food products on the Romanian market. (figure no. 2)

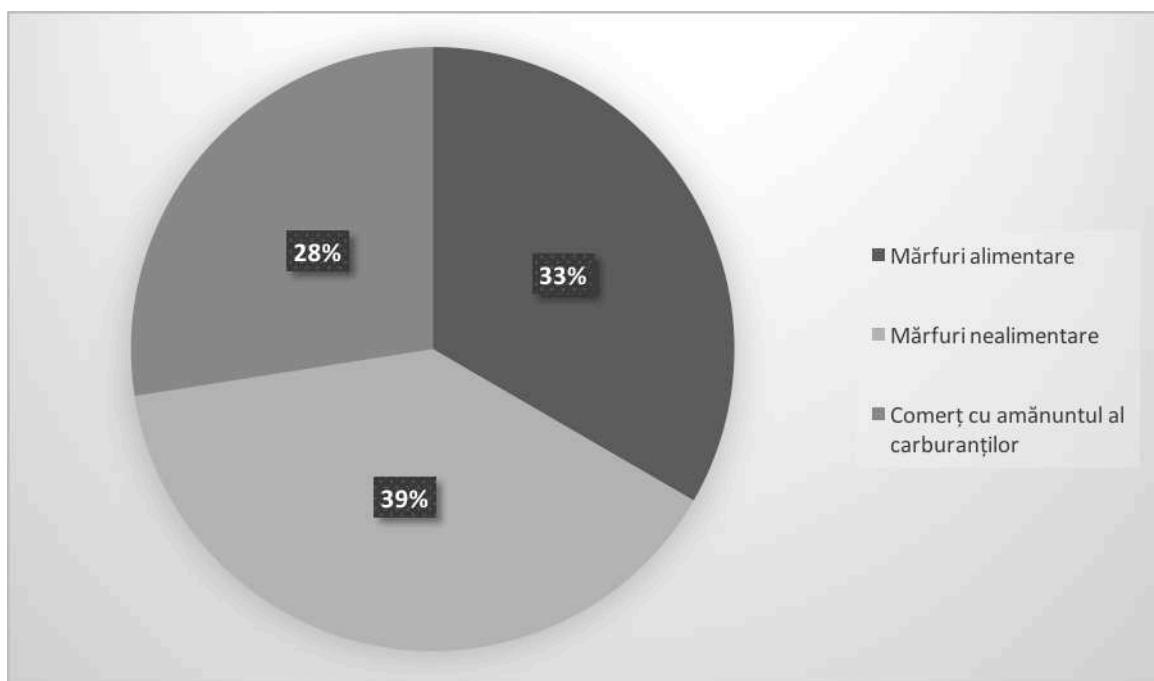


Figure no. 2

The share of income obtained by the units that carry out retail trade activities by groups of goods in 2012 (%)

In terms of volume indices of retail trade, they were calculated in comparable prices, taking as base year the previous year. From the data provided by National Institute of Statistics (table no. 2) we can notice that in the case of

the retail of fuel in 2009 compared to the previous year was registered the biggest decrease in the indicator of 19.6%. The indicator that register a decrease, although lesser, in three years within the period under review is the non-food retail trade, largely generated by the decrease in the household income and which was reflected in a reduction in demand especially for the durable goods with high unit value. The year 2012 presents for each indicator, an increase per total retail trade, this being 5.2%.

Table no. 2

Indices of retail trade by group of goods in the period 2009-2012 (previous year = 100)

Sector	2009	2010	2011	2012
Food goods	88,5	94,4	102,4	106,0
Nonfood goods	86,3	98,8	99,6	106,3
Retail of fuels	80,4	112,5	116,8	102,6
Total	85,9	99,6	104,4	105,2

Source: National Institute of Statistics, *Statistical Yearbook of Romania 2013*, p. 589

The commercial network of enterprises with retail trade activity represents the total number of existing stores at the end of the year. From the data presented in table no. 3 it can be seen a downward trend of the commercial network, the number of stores in 2012 being with about 5000 units less than in 2008 (figure no. 3). This is due to the reduction of the number of the commercial units with very small areas of sales being represented mainly by stores specializing in marketing of a restricted range of products and focused generally on only one product, but also of the proximity ones, located in crowded residential areas, considered neighborhood stores specialized in the sale of a wide range of products, but focused generally on the food products and the current use ones. This decrease is due to the difficult times from the economic point of view that our country has crossed during this time period and that led to the bankruptcy of a significant number of small retailers and also to the increasing number of supermarkets and hypermarkets. The latter aspect was due to the expansion of the number of the units at national level contained in a retail chain or another, but also to the entry on the Romanian market of some new large retailers.

Table no. 3

The commercial network of enterprises with retail trade activity (number of stores)

Surface category	2008	2009	2010	2011	2012
Up to 120 m ²	128290	125128	125471	116526	121355
121 - 399 m ²	5020	5868	6070	5778	6162
400 - 999 m ²	976	1189	1203	1277	1301
1000 - 2499 m ²	373	406	453	501	689
2500 - 4999 m ²	94	110	158	142	179
5000 - 9999 m ²	92	114	120	129	129
10000 m ² and over	33	41	46	54	60
Total	134878	132856	133521	124407	129875

Source: National Institute of Statistics, *Statistical Yearbook of Romania 2013*, p. 589

The trend recorded worldwide in conjunction with the Romanian consumers propensity to consume but also for recreation, made that in just five years the number of large shopping centers existing in Romania to double up. Such units with areas exceeding well over 10000 m² get to attract clients from all social classes and with different income levels and who wish, when they choose to obtain their supplies in such establishments, either to save time, here being found an extraordinarily varied offer of products or to combine shopping with leisure in a space that makes available many such variants.

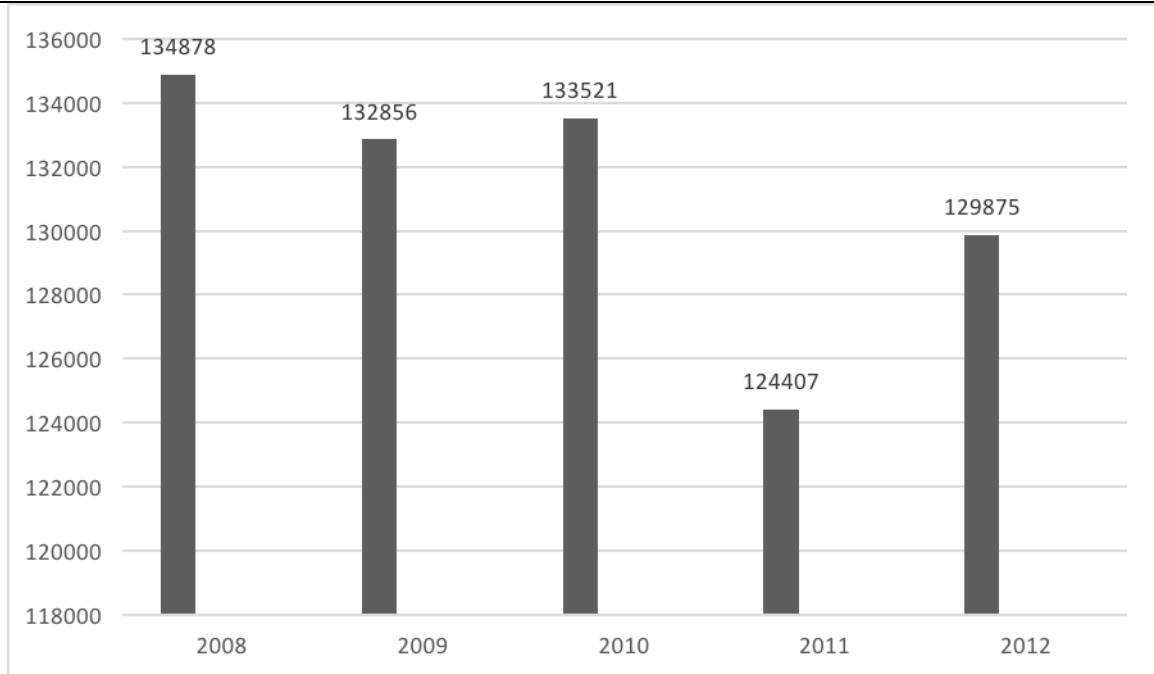


Figure no. 3

The evolution of the commercial network of enterprises with retail trade activity in the period 2008-2012

Also in terms of the sales surface size, the analysis shows that in the year 2012 the share of the smallest types of units from this point of view is overwhelmingly (93.43%). The units with the immediately following surface, between 121-399 m², also have the following share of the total network, but of only 4.74% (figure no. 4). It is observed that with the increase of the sales surface is reduce the number of retail trade units. In last place are big shopping centers with a tiny share of the total number of stores, only 0.04%, but which compensates of course in the high value of turnover compared to the other units.

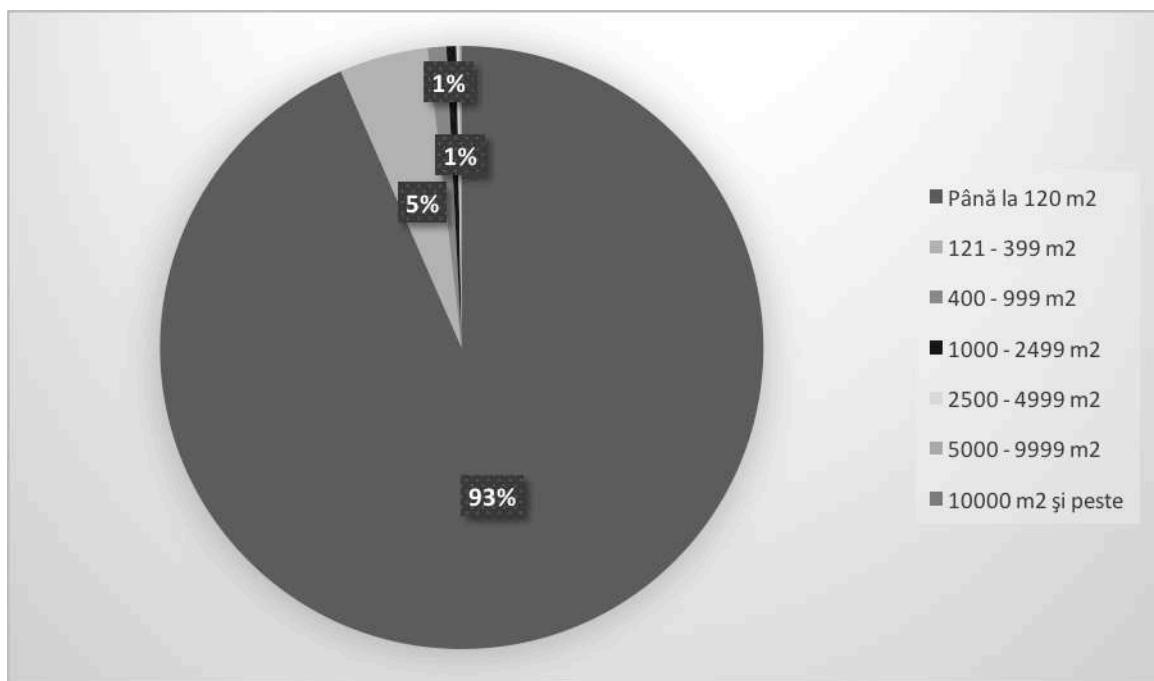


Figure no. 4

The share of the categories of the surface stores within the retailer network in 2012 (%)

4. Conclusions

In Romania, the retail trade is in a continuous development, expansion and adaptation to the market requirements. The analysis conducted in the period 2008-2012 showed that the retail trade activity, except for 2009, has an upward trend. Increasing the value of sales of the units which sell to the final consumer food goods, non-food goods and fuel is based primarily on the price increase of the products traded and not on the quantitative growth in sales. This last was recorded only at the end of the reviewed period, as evidenced by the retail trade indices expressed in comparable prices.

The highest share of the total goods traded in each year is held by the non-food products, due to the extensive range of such products, but also by the high unit price for many of them.

In terms of the retail commercial network from Romania stand out a folding on the tendencies registered worldwide and which relate to restricting the number of stores with small surfaces of sale and increasing number of those with large and very large surfaces.

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