

STRUCTURAL CHANGES AND GLOBAL TRENDS IN EUROPEAN UNION TRADE

Ishak Mešić¹

¹University of Zenica - Faculty of Economics, Bosnia and Herzegovina, imesic@bih.net.ba,
ishak.mesic@ef.unze.ba

Abstract

The article aims at researching and presenting structural changes and global trends in distributive trade of European Union, resulted from liberalization of economic activities within the EU.

During the last decades, EU trade went through deep transformation and structural changes. Traditional distributive trade has been replaced by organized and concentrated distribution. Even though, there are many developing trends which unify the EU trade, still there are some differences specific for particular countries. Level of development, structure of trade network, as well as structure of retail forms, differ from one country to another. Developing patterns of retail forms differ from one country to another. For instance, hypermarkets have reached mature stage in France, Germany and Belgium, just have started developing in Italy and are in developing stage in Spain. "Hard" discount shops are already one mature concept in Germany and Netherlands, while in France, they have just started developing.

Regardless of differences between particular national and regional markets within EU, almost all countries participate in increased trend of internationalization, concentration and dislocation of traditional retail towards modern sale forms, which have more subsidiaries. However, degree of concentration in some countries is still quite different. While just a few companies control the markets in Scandinavia, France, Great Britain and Germany; in Italy there is not a company with similar comparable size or market strength.

Trend of business globalization have emphasized the area of international retail as an important topic. With process of retail internationalization – retail has turned into a global industry quite fast.

JEL classification: F14, F15, F43, O24

Keywords: trade, retail, globalization, internationalization, concentration

1. Introduction

During last decades, the trade in Europe got by deep transformation. The traditional distributive trades was substitute by organized and concentrated distribution. Mutual convergence of developing trends have for result the convergence in structural changing of European retail markets.

Besides expressed trend of mutual convergence in developing trade, still there are main differences in the structures of the EU trade, as the differences in the level of the developed trade network. These differences are the result of the historical, cultural, political, economic and other factors. The trade of EU eastern countries is more developed and modern, then in EU southern countries, which have traditional on tranzition level of trade development.

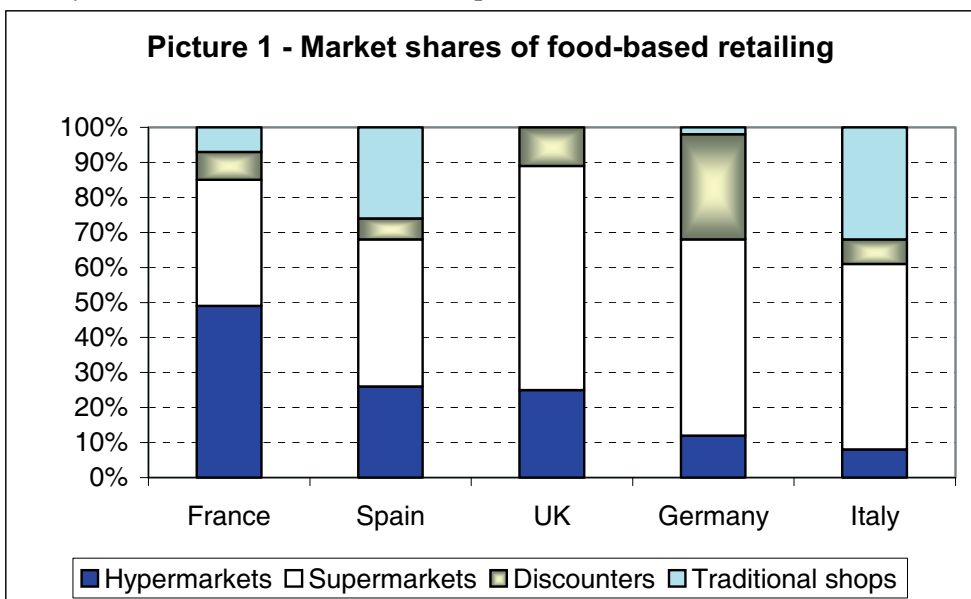
Mutual convergence of developing trends in EU retail industry accommodating the sector and his concentration, retail buildings and their organization, bosses and their strategies. The environment changing of EU has brought to the development of the new competition, as to the new strategies of market positioning and differentiation.

2. The changing in the trade structure of EU

At the end of XX and at the beginning of the XXI century, happened a big changing in the structure of the retail network, in such a manner that the hierarchy of the retail buildings in huge scale has been revised in the way of:

- The lost of the market part of the commodity and mixed shops,
- The increase of the foodstuffs- retail -groups,
- The increase of the larger (non)foodstuffs specialized shops,
- Evolution of the discount store

However, the dominant assortment of the retail shapes differ from country to country, what we can see from the next picture:



Source: "Distributive Trades in Europe", European Communities, 2001, page 190.

This development was monitored by few countries, by acceleration of the retail shapes life-cycles. For example, during 100 years came to the maturity of the commodity shops, during for 40 years came to the maturity of the mixed shops, for 25 years of the supermarkets, for 20 years of the hypermarket, and for 15 years of big specialized shops.

However, the model of the developing all retail shapes differ from country to country. For example, hypermarkets has a mature level in France, Germany, and Belgium, and it have just been started to developed in Italy, and still they are in developing progress in Spain. "The hard" discount shops are yet one of the mature concept in Germany and Holland, and now they starting to developed in France (McGoldrick, 1995, 18).

The next Table, gives an illustration of the main shops with size over 2.500 m² in western countries:

Table 1 - Main shops with size over 2.500 m²

Countries	Great Britain	France	Portugal	Spain	German	Denmark	Switzerland	Average Western Europe
% from the number of shops	2%	3%	<1%	<1%	2%	3%	1%	2%
% from whole sales	57%	52%	40%	31%	23%	20%	18%	20%

Source: Bell Richard: "Competition Issues in European Grocery Retailing", European Retail Digest, Autumn 2003, Issue 39, p. 31, *Business Source Premier*, <http://epnet.com>

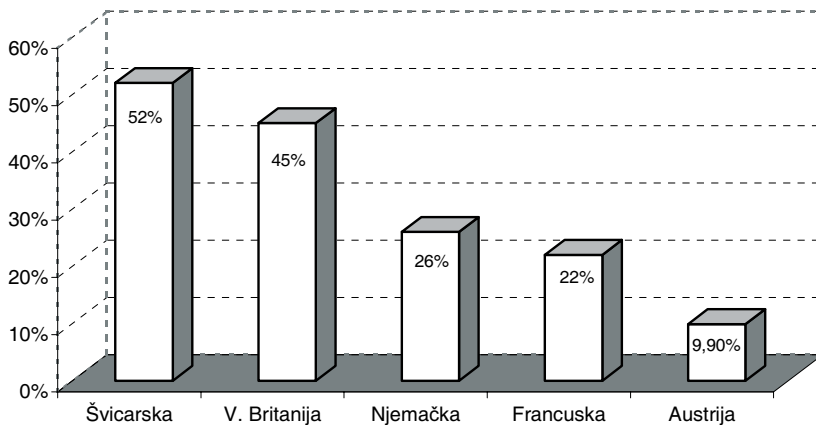
From above (past) analysis, we can conclude that the retail in Europe passed through huge success of increasing the sale markets and change of the structural retail shapes. The change of the structure of the retail shapes has brought to the dominate involvement of the retail buildings (supermarkets, hypermarkets and discount shops).

3. The comparative analyze of retail with own (proper) brand

In 1991. retail sales with proper brand represented 18% of foodstuff sales in Europe. They are special developed in North Europe: (Great Britain, Holland, Germany, and Belgium) and they are still developing to the South (McGoldrick, 1995, 30).

The participation of the products with proper brand in retail are the most developed in EU countries in 2000, what we can see from the next picture:

Picture 2 - The participation of the products with proper brand in retail



Source: Author's construction

Data: Bell Richard: "Competition Issues in European Grocery Retailing", European Retail Digest, Autumn 2003, Issue 39, p. 35, *Business Source Premier*, <http://epnet.com>

Bell Dick: "Food Retailing in Germany, Austrija and Switzerland", Senior Research Associate, 1999, OXIRM, Templeton College, *European Regional Review*, page 20, <http://search.epnet.com...2/14/2004>

According to a new report, private label trends worldwide, 2006, published by Planet Retail, private labels are forecast to continue to show impressive growth across both food and non-food categories.

Table 2 - Private Label Share of the Top 5 Grocers, by Share of Private Label Sales

Rank	Company	Retail Banner Sales, 2004 (USD mn)	Estimated Share of Private Labels (%), 2004
1	Aldi	46,430	95
2	Schwarz Group	46,448	63
3	Target	53,949	46
4	Tesco	68,164	45
5	Casino	50,064	40

Source: Planet Retail Ltd - www.planetretail.net

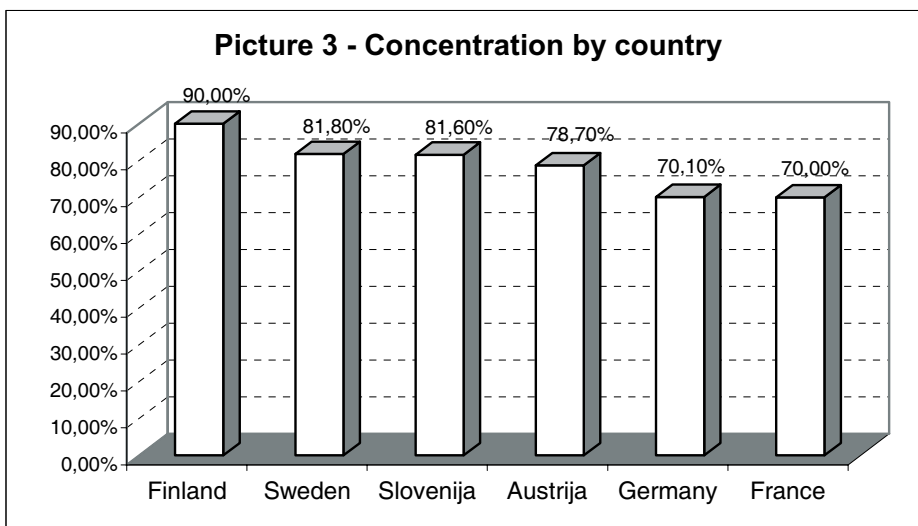
A number of factors are working together to underpin the growing popularity and importance of private labels to retailers:

- increasing price competition;
- the need for differentiation;
- a tool to strengthen customer loyalty;
- growing acceptance among consumers;
- higher margins;
- worldwide sourcing opportunities;
- ability to choose from several suppliers;
- increased control over the supply chain.

4. The concentration of the retail trade

Inside of the EU countries, the concentration of the retail trade became very strong. Namely, the concentration is higher in foodstuff sector, but the highest in (non) foodstuff sector. The direct circumstance of the internationalization is bigger concentration of the trade in Europe. However, the rate of the concentration in few countries is still differ. As a few companies controlled markets in France, Great Britain and Germany, in Italy there is no that kind company with that huge market force (eurodata, 2002, www.mm-eurodata.com).

In 1992. 10 leading retail traders in Europe had a 27,8% market share, and a five years later – 1997, 36,2%, and prognoses for 2009. is 38,8% of market share (Planet Retail Ltd, 2009, www.planetretail.net). The concentration for the five leading companies in foodstuff retail in EU in 2005, illustrated this picture:



Source: Author's construction

Data: Global Retail Concentration, Planet Retail 2006.
http://www.cleanclothes.org/ftp/07-10-EU_Retail_Briefing.pdf

From above picture we can conclude that there is a huge concentration in foodstuff retail in EU countries. Five leading companies of foodstuff realized over 80% market share in three countries , and over 70% in other countries.

5. The internalization of retail trade

The internalization of retail trade has speedy growth. In 1992 there were over 1.321 international institution in European Community in relation to 120 international institution in 1970. Internalization is present in all retail sector: foodstuff, non foodstuff, mixed and specialized trade, bid and small shops, etc. However, export retail shapes are the most common shapes which stay dominant in their countries. France, Great Britain, Germany represent two-thirds of the international operations in Europe. International activities of the European retail sales are represented in next table:

Table 3 - Europe: Top 10 Grocery Retailers, 2004

Retailer	Country of Origin	Retail Banner Sales (EUR mn)	Net Sales 2004 (EUR mn)	Grocery Sales (%)	Domestic Sales (%)	Foreign Sales (%)
Carrefour	France	75,707	62,144	75.4	59.1	40.9
Metro Group	Germany	60,291	54,114	49.1	54.5	45.5
Tesco	UK	49,681	45,440	71.5	87.5	12.5
Rewe	Germany	44,135	40,800	75.6	71.6	28.4
Auchan	France	38,418	28,604	59.9	55.9	44.1
ITM (Intermarch)	France	37,380	34,052	69.9	71.5	28.5
Schwarz Group	Germany	36,964	34,263	82.3	58.2	41.8
Aldi	Germany	32,485	29,465	81.8	67.7	32.3
Edeka	Germany	31,582	26,175	84.4	92.0	8.0
Casino	France	29,458	22,909	75.0	83.0	17.0

Source: Planet Retail Ltd - www.planetretail.net

Even the rhythm of the retail internationalization is speeded up without doubt, still the main retail sales realize the biggest percent of their circulation on domestic market. The intensive processes of the retail internationalization

brought to the horizontal cooperation and connection of the retail from different EU countries, which resulted – genesis of the international retail services.

6. Conclusion

The integration of the EU market resulted in the trade internalization, specially its retail sector. The internalization of the retail, which progress is speeded up in last decades, redefined the relations in canals and economic distribution on the global level. With the internalization process, retail has become a global industry. Although, the [rhythm](#) of the internalization of retail is speeded up, still the main retail sales realize the biggest percent of their circulation on domestic market.

Intensive process of internalization of the retail brought to the horizontal integration and retail cooperation from different EU countries, which resulted – genesis of the international retail services. Direct sequence of the increasing the internalization is a bigger concentration of the trade in Europe. Despite the differences between national and regional markets inter EU, all countries take part in trend toward internalization, concentration, and dislocation of the traditional retail. However, the rate of the concentration in some countries is still differ. . As a few companies controlled markets in France, Great Britain and Germany, in Italy there is no that kind company with that huge market force

The process of integration and concentration are inspired with main goal-increasing the markets strength and size economy, throw the size of the retail companies.

In EU, there are next trends:

- New growth strategies
- Less growth, more segmentation ;
- Less national , more international entrepreneurship;
- Less stocks, more customers services;
- Less shops, more selling areas,
- Less independent sales, more integration;
- less business per quadratic meter, higher rate of margin (McGoldrick, 1995, 39).

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