

## LARGE RETAIL CHAINS, RETAIL DENSITY AND SUPPLY CHAINS

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*Scientific paper*

### *Abstract*

This paper was induced by the fact that in present-day conditions mutual competition is provided by entire supply chains and not merely by particular companies/groups. Therefore the importance of retail should be considered not only according to its shares in the number of companies, in the number of employees, in creating additional value, and the like, but also in respect of its role in supply chains. Namely, successful supply chains are created, primarily, by large retail companies with their large stores. Based on available literature, the author first analyses the retail as part of distributive trade, in concentration processes in the economy, in vertical marketing systems and in supply. Available secondary sources are used for the analysis of selected European countries: greatest retailers and their importance, role of wholesale distribution, and density and development level of retail sale. Data collected from Eurostat and Deloitte are analysed and graphically presented by means of usual statistical methods (relative numbers, indexes and shares, tables and graphs).

The results of the conducted research should confirm the thesis about the importance of the density and development of retail, relations between wholesale and retail companies, and shares of large retail companies / groups in the creation of modern supply chains as prerequisite for successful expansion into new markets. Therefore, regarding the possibilities for the development of supply chains, retail sale is not of the same importance in some of the observed countries.

**Key words:** retail trade, retail concentration, supply chain, economic development, European countries

### 1. INTRODUCTION

The paper opens with the analysis of the concepts of distributive trade, wholesale and retail, and then also analyses the concepts of retail and wholesale companies/trade associations, companies, retail chains and stores. Upon that follows the analysis of supply chain and point of retail trade within the supply chain. Finally, there is the analysis of the development of retail trade in concentration processes and retail trade within the vertical marketing system and supply chain.

The analytical part brings for each of the selected countries (European and other, in which the world's largest retailers have their headquarters) the analysis of factors influencing the formation of distribution structures and supply chains. Namely, for the selected European countries, the analysis comprises relative indicators of the realised turnover of the largest retailers, indicators of development level and density of retail sale, as well as indicators of the importance of wholesale.

In view of the fact that modern retail trade is still developing in the sense of its concentration and that retail supply chains are spreading internationally, the objective of this paper is to point at the preconditions allowing for the creation of international retail supply chains, as well as to indicate new aspects of importance of the retail trade in individual national economies. This would complete the picture of importance of retailing for a national economy.

## 2. RETAILING AS PART OF DISTRIBUTIVE TRADE

Without elaborating on various definitions of trade provided by some authors (see: Segetlija, 2009, pp.81 - 82), we shall here point out the definition of trade from the Trade Act of the Republic of Croatia. In Article 3 of the Trade Act (Official Gazette, Nr. [87/08](#), [96/08](#), [116/08](#), [76/09](#), [114/11](#), [68/13](#), [30/14](#)) trade is defined as follows:

“In the sense of this Act, trade is the economic activity of buying and selling of goods and/or providing of services in trade for the purpose of realising profit or other economic effect. Trade is performed either as wholesale trade or as retail trade”.

In this paper, official statistics data will be used, so the definition of trade in the official statistics must be considered as well. Official statistics comprises the so-called distributive trade. In the Statistical Yearbook of the Republic of Croatia for the year 2014, which has been harmonised with Eurostat, distributive trade is defined in the following way (Statistical Yearbook of the Republic of Croatia 2014, p. 417):

„Distributive trade is a set of all types of trading activities, from supplying of goods from the producer to distributing them to the final consumer. It comprises the wholesale trade on one's own account, the wholesale on a fee or contract basis, the retail trade and the repair of motor vehicles and motorcycles“.

In distinguishing between the wholesale and retail trade, it is essential to distinguish between the characteristics of their customers (NACE, Rev. 2, 2008, Statistical classification..., p. 217).

In the wholesale, buyers are those recipients who use the purchased goods for further economic activities, whereas the retail trade serves the final consumer or the end user as buyer (Cf. Lerchenmüller, 2003, p. 19; Rudolph, 2009, p. 4).

In modern conditions, the following, slightly broader, definition of retail trade may be adopted (Levy & Weitz, 2012, p. 6):

„Retailing is the set of business activities that adds value to the products and services sold to consumers for their personal or family use“.

According to Statistical Classification of Economic Activities in the European Community (Eurostat, NACE, Rev. 2, 2008, pp. 73 - 75) the entire distributive trade

(Section G – Wholesale and retail trade; repair of motor vehicles and motorcycles), consists of:

- division 45 (wholesale and retail trade and repair of motor vehicles and motorcycles);
- division 46 (wholesale trade except of motor vehicles and motorcycles);
- division 47 (retail trade except of motor vehicles and motorcycles).

In this paper, selling goods directly to consumers will be referred to as “retail trade”, and large scale sale will be referred to as “wholesale”. Both trade activities are, of course, constituent parts of distribution channels, e.g. marketing channels.

Marketing channels are all those organisations through which a product must pass between its production and consumption (Kotler et al, 2006, p. 858). The system of the so-called consumers’ marketing channels comprises: producers, wholesalers, resellers and retailers. Unlike them, in the so-called business marketing channels there are: manufacturers, manufacturers’ sales representatives or sales branch offices, business distributors and business clients (Kotler et al, 2006, p. 861).

The object of analysis in this paper is a company (trade association) in distributive trade business, as well as its business units (primarily stores).

Retail trade analysis frequently uses also the term “retail chain”. In this paper, we shall adopt the following definition of retail chain (Levy & Weitz, 2012, p. 52):

„A retail chain is a company that operates multiple retail units under common ownership and usually has centralized decision making for defining and implementing its strategy. Retail chains can range in size from a drugstore with two stores to retailers with thousands of stores, such as Safeway, Wal Mart, Target, and JC Penney. Some retail chains are divisions of larger corporations or holding companies“.

However, in general sense, we shall use the term “enterprise” as a goods or services producing organisation unit with a certain degree of autonomy in decision making, in particular in the investment of liquid assets (Statistics Explained, Glossary, Eurostat, 2015). In that sense, in this paper we shall also use the terms “retailer” and “wholesaler” for companies in the sphere of activity of wholesale and retailing.

Stores are defined as fixed sales premises which the customers enter to make their purchases (Concepts and Definitions, Eurostat's Concepts and Definitions Database, Eurostat, 2015).

Unlike the retailing in a store, Internet retailing (which can also be called “online retailing“, “electronic retailing“ or “e-tailing“) is a retailing channel in which the goods and services are offered for sale, and all communication with the consumers is done through the Internet (Cf. Levy & Weitz, 2012, p. 58).

Namely, Eurostat gives the following definition of retailing (NACE Rev. 2- Statistical classification of economic activities in the European Community, Structure and explanatory notes, p. 217): “Retailing is the resale (sale without transformation) of new and used goods mainly to the general public for personal or household consumption or utilisation, in shops, department stores, stalls, mail-order houses, door-to-door sales persons, hawkers, consumer cooperatives, auction houses etc. “

Retailing that does not take place in stores, on benches, on markets or fairs would be the kind of retailing that that is performed through mail order or through the Internet. According to Eurostat NACE Rev. 2 – Statistical classification of economic activities ... (p. 234) it is emphasized that: “This class includes retail sale activities

via mail order houses or via Internet, i.e. retail sale activities where the buyer makes his choice on the basis of advertisements, catalogues, information provided on a website, models or any other means of advertising, and places his order by mail, phone or over the Internet (usually through special means provided by a website). The purchased products can be either directly downloaded from the Internet or physically delivered to the customer.“

Different analyses of the retail trade use indicators of the density of stores, i.e. of the density of the retail trade. In the marketing practice, there is a widespread understanding of distribution not only as an activity, but also as a condition, connected with the possibility to buy a certain product in particular points of sale in a certain area. Here, distribution is interpreted as the goal criterion. In that sense, there is a distinction between (Ahlert, 1985, p.10): (a) distribution level, and (b) distribution density. Distribution level shows the ratio between the realised and the potential points of sale that manufacturers want and consumers expect. Distribution density shows the ratio between the places of offer (usually stores) and the number of population or the size of a certain sales area. In that context, H. Meffert (Meffert, 1980, p. 389) emphasized that the distribution level indicates the presence of a certain product in stores, and W. Oehme points out the distribution density for brand articles (Oehme, 1983, p. 151).

If the entire retail trade is observed, the following criteria are usually used as indicators of its density (Cf., for example, Retailing in the European Economic Area 1993, 1994, 1997):

- (a) number of inhabitants per store
- (b) number of stores per 1 km<sup>2</sup> of a country's total land area
- (c) number of retail companies per 10, 000 inhabitants.

The above indicators can also be used as indicators of the development and importance of retail trade in a particular country (Segetlija, 2012, pp. 56 ff). However, if one product or a group of products are selected for which the distribution density is calculated, then the stores offering these products must also be included in the calculation.

### **3. RETAILING IN CONCENTRATION PROCESSES**

Concentration is the opposite of equality. Advantages of concentration in economy have been analysed in economic theory for quite a long time. Here, we must point out Marx' "Capital" (v. Marx, I, II, III) and analyses which have later shown that large companies possess the necessary strength for the development of new products and innovation of processes, and that they are in fact the ones propelling economic progress (see e.g., Schumpeter, 1943, pp. 81 ff).

In economic theory, the concept of concentration refers to the dominant position of several providers dominating the market (Baumgarten, 2012, p. 51). Concentration in economy is considered as a specific socio-economic pattern which was in the trade business in Germany especially analysed by B. Tietz (Tietz, 1993b, pp. 258 ff).

As a process, concentration in retailing relates to an over proportional growth of large companies in comparison to the small ones, so that the total number of retail trade companies is declining (Ahlert, 1985, 116.), and the progression of the

concentration process is reflected in the growth of market shares of a smaller number of companies (Nieschlag, 1972, p. 326, *Konzentration im Einzelhandel*, 2015).

It is important for retailing that concentration can be observed not only according to the number of retailing economic subjects (enterprises, companies) and their market shares, but also according to the number of large or small stores. As a result of the competitive relations in developed market economy, the number of large surface stores is growing, and at the same time the total number of stores is declining due to the decline in the number of small stores. This process is especially visible in the retail trade in the extended sector of food products, i.e. groceries (German: "Lebensmittel").

The concentration process in retail trade in the market-developed countries has been gaining momentum and speeding up since the mid 1960's (Beckermann & Rau, 1977, 39).

Through the concentration processes retailing also develops its "demand capacity" (in relation to its suppliers), so that in these processes retail brands are developing as well. Under the thus altered circumstances the relations with manufacturers are developing in the range from confronting interaction all the way to close and comprehensive cooperation (Magnus, 2007, p. 27).

Furthermore, as part of the modern concentration processes in retailing and further internationalisation of retail trade, there is also concentration and internalisation in supply, which has all together resulted in greater negotiating power of a retailing company as opposed to a manufacturing company. Of course, development of trademarks also depends on the behaviour of the consumers who accept such integration model when they are shopping (Pavel et al., 2010, pp. 70, 71).

However, apart from concentration, a retail trade company's "power of demand" is also influenced by other factors, such as: the possibility to close the market for a manufacturer (in some cases even a smaller retail chain may close the market for a potential supplier in a particular region), internationalisation, trademarks, regulation of retailing, consumers' behaviour, special investments, etc. (Pavel et al, 2010).

Of course, the importance of concentration in retailing can be observed primarily in the fact that only large retail trade companies and cooperative formations can utilise the attainments of the present-day technical-technological progress and achieve development. Concentration in retail trade is therefore not only the result of its development so far, but also a prerequisite for its development in the future.

Today, concentration in retail trade is much stronger expressed in European market-developed countries than in the so-called transition countries. In Germany, for example, in the extended retailing sector of groceries, the top five companies/groups have in 2011 reached the market share of 71.7% (Haucap et al, 2013, p. 6), and in the same sector in Austria in 2010 the top three companies/groups have reached the market share of 82.1%, whereas the Czech Republic, Italy and Poland had a significantly lower level of concentration (Triebel & Salhofer, 2013, p. 16). In the retailing sector of groceries in Croatia, in the year 2013 the top five companies/groups had a share of 53.2% (Segetlija, 2014, p. 44).

#### **4. RETAIL TRADE IN THE VERTICAL MARKETING SYSTEM AND SUPPLY CHAIN**

Concentration has contributed to vertical integration in the marketing channel by a process where the functions of one participant in the channel have been taken over by another participant in the marketing channel. This is how under specific competition circumstances vertical marketing systems, which coexist along with the conventional ones, are developing as well (Koppers & Klumpp, 2010, p. 10). Hence, some business systems have expanded by taking over the functions of other participants in the channel. Here we can speak about expansion of activities within individual corporations or groups and about the development of cooperation forms. In that context, it is important to mention the basic division of vertical marketing systems into (Kotler, 2001, pp. 549 – 552): corporative, directed, (managerial) and contractual systems.

In the analysis of retailing, it is important to point out that, in the concentration processes, large retailing companies could also assume wholesale functions, and their market power allowed them to dictate the prices upon manufacturing companies.

We may therefore conclude that in the concentration of the retail trade market shares of large economic subjects, their groups and large surface stores are not the only things that count, important is also the concentration of functions, i.e. assuming the wholesale and production functions by the retailing companies or groups (Segetlija, 2011). It is in such concentration processes in the retail trade that retail brands are developed as well. In fact, concentration of the supply function allows for the already mentioned “power of demand” of retailing (in relation to the suppliers).

In present-day conditions, the development of retail trade distribution channels must be observed not only in the framework of vertical marketing systems, but also within horizontal and multi-channel marketing systems.

Multi-channel systems come into existence when a certain product is sold to buyers who don't have equal status, or to buyers on different markets (possibly in different countries). Today, however, growing importance is gained by the so-called hybrid forms of integration. i.e., by hybrid marketing channels and multi-channel retailing, because the use of a single channel may often be insufficiently effective. This means that different channels are formed for different size clients (Kotler & Keller, 2008, p. 490). In this way, the so-called multi-channel management is developed (Multi-Channel-Management, 2011, p. 1). This concept refers to the use of more put options in sales, i.e. to parallel use of several sales channels.

Forms of Internet retailing and their connection with retailers' stores in physical sense are, of course, of great importance for multi-channel retailing as well.

Analyses of the distribution channels – marketing channels are nowadays usually extended to analyses of entire supply (providing, logistic) chains. Namely, in modern concentration processes completely different concepts of cooperation and integration of economic subjects have developed; these conceptions relate to entire economic flows, from the provider of the initial raw materials, over all stages of production and distribution, to final consumption.

Therefore, a company depends upon the entire supply chain consisting both of “upstream”, as well as of “downstream” partners. The chain also includes suppliers

and agents, and even agents' clients, so that the so-called value supply networks are created (Cf. Kotler et al, 2006, p. 857, p. 859).

Such approach is important because market success can only be assured through creation of entire value networks and not only through their "downstream" sections – distribution channels. Therefore, large companies or groups today manage their own value creation chains and in that sense, the supply chain management (SCM) has developed.

The supply chain consists of a number of activities and organisations piloting materials on their voyage from the initial supplier to the final buyer (Waters, 2003, p. 7).

Today, value creation chain is considered as supply chain, that is, value chain management can be observed as supply chain management (*SCM*). Essential for such management is the use of modern information technology, renewal (so-called re-engineering) of processes and a new way of thinking in the company. The supply chain is observed as a "transparent" value creation chain (Reindl & Oberniedermaier, 2002, p. 166).

In fact, *SCM* means active management of activities and relations in the supply chain in order to maximise the value for the buyer and win sustainable competitive advantage. It represents a purposeful effort of a company or a group of companies to develop and launch supply chains in the most effective ways (Bozarth&Handfield, 2006, p. 8).

It should also be noted that *SCM* represents a qualitatively new development stage in the life cycle of business logistics. This is a conception for networks and for discovering potentials for success by crossing companies' borders through development, formatting, management and realisation of efficient and successful flows of goods, information, money and funds (Göpfert, 2006, p. 65).

According to Chopra and Meindl (2016, p. 4) "effective supply chain management involves the management of supply chain assets and product, information, and fund flows to grow the total supply chain surplus. A growth in supply chain surplus increases the size of the total pie, allowing contributing members of the supply chain to benefit".

Koppers & Klumpp (2010) have pointed out that the escalation of competitive struggle in distribution and creation of large retail chains made it necessary to develop various cooperation conceptions, such as: *SCM*, "efficient consumer response" (*ECR*) and vertical marketing.

Most broadly viewed, *ECR* is a method for efficient forming of a value chain focused on the benefits for the consumers (Corsten & Pötzl, 2002, p. 7). Furthermore, *ECR* is, in fact, a widely accepted initiative in the industry by which borders of companies are crossed and which, through enhanced cooperation, aims at optimisation of the flows of goods and information and consequently at global optimisation of the supply chain (Riemer, 2015).

In practice, the *ECR* concept concentrates predominantly on retailing and wholesale, and almost exclusively on consumables. As opposed to *SCM*, it follows the relation with the final customers (*B2C*). However, *ECR* can also be observed as an expression of the *SCM* in the consumables branch. In the *SCM*, too, cooperation between companies extends both over the supply (offer) and the demand (sale) side,

so that there is coordination between marketing, product and logistics. Of special importance for the introduction of *ECR* are data warehouses and product category management (*CM*), and thus also the observing of the supply chain from the marketing point of view (Zschom, 2001).

Large retail companies are becoming more important today because they increasingly take over the leading role in the supply chains management. This means that the retailers have gained their leading position through concentration. In the USA, for example, large retailers stand out as holders of supply chains. In the times when retailers were mostly small or family businesses, larger manufacturers and distributors dictated when, where and how the goods were going to be delivered. Now, however, larger national retail chains play an active role in coordinating activities of supply chain management (Lewy & Weitz, 2012, p. 248).

In present day supply chains, especially in the grocery sector, most power belongs to retail chains (Dujak, 2012, pp. 41 – 44). When a large retailer (retail chain) dominates the supply chain, then the term “retail supply chain” can be used.

Retailing has an important role in the supply chain. By sharing sales information with their suppliers, stores would, namely, allow the manufacturers and other chain members upstream in the chain to make more accurate plans, cut operative costs and offer the customers lower product prices, which would enable them to gain competitive advantage in comparison with another supply chain (Prester, 2012, p. 34).

Hence, retailing is also important for the supply chain thanks to its position in the distribution channel in which it is in direct contact with the consumers. Thus the information in possession of the retailers are essential also for their suppliers, so that they may plan the production, product promotions, delivery, assortment and stock level. Successful *SCM* is, of course, is also important for the retailer himself who can thus achieve strategic advantages, because he improves the availability of products and stock turnover, which creates a higher return rate on assets (Lewy & Weitz, 2012, p. 248).

A typical supply chain in the retail trade can be marked with a multitude of partners participating in the creation of value. Retailing is the penultimate link in the supply chain, the one in direct contact with the consumers, and the one representing the efforts of all participants in the entire supply chain. Other links in the supply chain are the manufacturers in stages before trade, providers of pre-products, and logistical service companies. They can, in the form of outsourcing, take up logistic activities for the manufacturers and for the retail trade (Welbrock & Traumann, 2012, p. 5).

The importance of large international chains is evident in their entrance into particular countries (outside of their country of origin) where they appear as brands and build logistic-distributive centres, and where they (usually) bypass local production because of the large quantities of goods they procure at low prices (Bormann & Siegel, 2007, p. 29). This means that smaller bidders cannot participate in their supply chains and that concentration processes further amplify concentration in the production. However, spreading of international retail chains from highly developed countries into less developed ones creates dangerous competition that has the capacity to push domicile manufacturers and retailers from the market, because they are unable to adapt to the new competition in a very short time.

Special importance of large, internationally spreading retail chains is also reflected in the fact that they are able to also integrate all stages prior to them (manufacturers and market agents) and thus direct and develop the production itself. In addition to that, advantages of international retail chains lie in the fact that they have concentrated their functions so that they are, in fact, much larger than the domicile retail chains in particular countries in which they appear. Also, due to global expansion of international retail chains, retailing is especially important for the countries in which the headquarters of companies as owners of these chains are located, because principal strategic decisions are made in their head offices (Segetlija, 2010).

Since the concentration processes in the retail trade result in the creation of concerns and various cooperative groups with numerous stores and their various formats (types), retail brands are required so that they may be distinguished from one another. In that sense, company brands are especially developed because the object of marketing strategy in retailing is always the format of the store (in the marketing of a manufacturing company this object refers to products). Namely, to become distinctive in the market competition, a retail company must have its image that cannot be copied by its competitors (Haller, 2001, p. 29; Theis, 1999, p. 561).

Retailing is the integrator of various value creation chains, i.e., supply chains, because retail trade has an assortment consisting of various products and services, and also because, by using outsourcing, it can integrate various services (services of logistic companies, banking services, Internet services, etc.).

The importance of retailing supply chains for the analysed European countries can be observed in the fact that in the early 1990's retailing in most countries reached the stage of stagnation or reduced growth, and the following trends were observed (Magnus, 2007, pp. 12-13):

(a) retailing formats with the conception of low prices are booming (first of all discounters offering a modest assortment but with a high share of products with their own brands);

(b) the largest retailers continue raising their market shares (i.e. concentration is still developing);

(c) trends point towards globalisation.

Globalisation could be understood as a company's strategy by which state borders are crossed, and in which global competitive advantages must be developed by exploiting location advantages and achieving economics of scale (Gabler Wirtschaftslexikon, 2015). This is, of course, connected with the processes of concentration, i.e. internationalisation in particular economic activities.

Namely, the primary reason for internationalisation of, for example, German retailers was the competitive concentration on domicile markets (Hanf & Hanf, 2005, p. 88).

Levy and Weitz (2012, pp. 11 -12) gave their assessment of the impact of specific factors on the forming of supply chains in the USA, European Union, India and China. They have taken the following factors into consideration: (a) retail concentration (largest retailers), (b) retail density, (c) average store sizes, (d) the role of wholesale, (e) infrastructure supporting the supply chain, (f) restrictions of retail locations, of store size, and ownership.

Some of the above factors will be analysed in the following section.

## 5. ANALYSIS OF THE SELECTED INDICATORS

The following indicators were selected in this paper for the analysis of the factors of importance for the forming of supply chains:

- (a) indicators of the world's largest retailers according to their countries of origin
- (b) indicators of importance of wholesale in countries with the largest retailers
- (c) indicators of density and development of retail trade in countries with the largest retailers.

### 5.1. Largest Retailers

The analysis sets out from the assumption that largest retailers can also develop the largest stores. The combination of large stores and large companies results, namely, in a highly successful supply chain (Levy & Weitz, 2009, p. 11), i.e., distribution system (Levy & Weitz, 2012, p. 11).

Table 1 presents the level of globalisation of the retail trade in world's regions in 2013.

**Table 1.** Level of Globalisation by Region in 2013

Region/Country	Number of companies	Share of Top 250 revenue	Share of retail revenue from foreign operations	Average of countries
Africa/Middle East	7	1.0%	25.1%	12.1
Asia/Pacific	55	14.0%	14.0%	5.4
Europe	90	38.9%	38.6%	16.2
Latin America	10	1.8%	22.9%	2.3
North America	88	44.2%	14.7%	7.8
Top 250	250	100.0%	24.2%	10.2

Source: Global Powers of Retailing 2015, Deloitte, G 21.

Table 1 shows that Europe has the highest share in the income of the Top 250 global retailers (38.9%), as well as the highest share in the income made on foreign markets (38.6%). It is, namely, possible that in some (larger) countries there are some large retailers that only do business in their domicile country – as it is shown in Table 2.

**Table 2.** Countries with the Largest Retailers 2013

Ordinal	Country	Number of companies	Number of single country operators	Share of Top 250 revenue (%)
1.	United States	79	32	41.9
2.	Germany	17	1	10.6
3.	France	14	1	9.4
4.	Japan	31	14	7.0
5.	United Kingdom	14	3	6.2

6.	Australia	2	0	2.6
7.	Netherlands	4	1	2.2
8.	Canada	8	6	2.2
9.	Spain	5	1	1.9
10.	Switzerland	4	1	1.5
11.	Hong Kong SAR	5	0	1.3
12.	Belgium	4	0	1.3
13.	China	7	6	1.3
14.	Russia	6	5	1.2
15.	Sweden	5	3	1.1
16.	Italy	5	2	1.1
17.	S. Korea	4	1	1.0

Source: Global Powers of Retailing 2015, Deloitte, G11 – G16.

Today, the world's largest retailers should also be viewed with respect to the realised e-commerce retail sales. Table 3 shows the countries with the largest e-commerce retailers from the Top 50 group.

**Table 3.** Countries with the Largest e-Retailers in 2013

Country	Number of companies	E-commerce retail sales (US\$ mil.)	Share (in %)
United States	25	122,470.9	64.7
United Kingdom	10	23,252.7	11.3
China	4	17,626.2	9.2
Germany	3	12,179.0	6.3
France	5	10,933.7	5.7
Brazil	1	2,838.1	1.5
Netherlands	1	1,442.5	0.8
Australia	1	1,102.0	0.6

Source: Global Powers of Retailing 2015, Deloitte, G33, G34.

E-commerce retailing is developed not only by pure e-commerce retailers but also by other large retailing companies. In 2013, in the group of Top 250 retailers, 145 retailers also had e-commerce retailing. The largest among these companies are: Amazon.com, Inc. (USA), JD.com, Inc. (China), Wal-Mart Stores, Inc. (USA), Apple, Inc. (USA), Otto, GmbH & Co. KG (Germany), Tesco PLC (United Kingdom) etc.

## 5.2. The Importance of Wholesale

Since wholesale is important in the distribution structure as well, this paper also includes the analysis of indicators of the number of retailing and wholesale companies per 10,000 inhabitants in selected countries. Only relatively small retailing companies are, namely, dependent on wholesale.

Graph 1 shows the number of retailing and wholesale companies per 10,000 inhabitants in 2012. The presented data lead to the conclusion that European countries in which retailers from the group of Top 250 global players have their headquarters have different distribution structures. In some countries, retail trade is not of major

importance according to the number of retailing companies per 10,000 inhabitants (e.g. Switzerland), but their large wholesale companies effectuate relatively high shares (in respect of the number of population) among the 250 largest companies (as presented in Graph 2). The ratio between the number of retailing and wholesale companies is most favourable in Denmark (3.24), France (2.95) and Portugal (2.36).

**Graph 1.** Number of retail trade and wholesale companies per 10,000 inhabitants in selected European countries 2012.

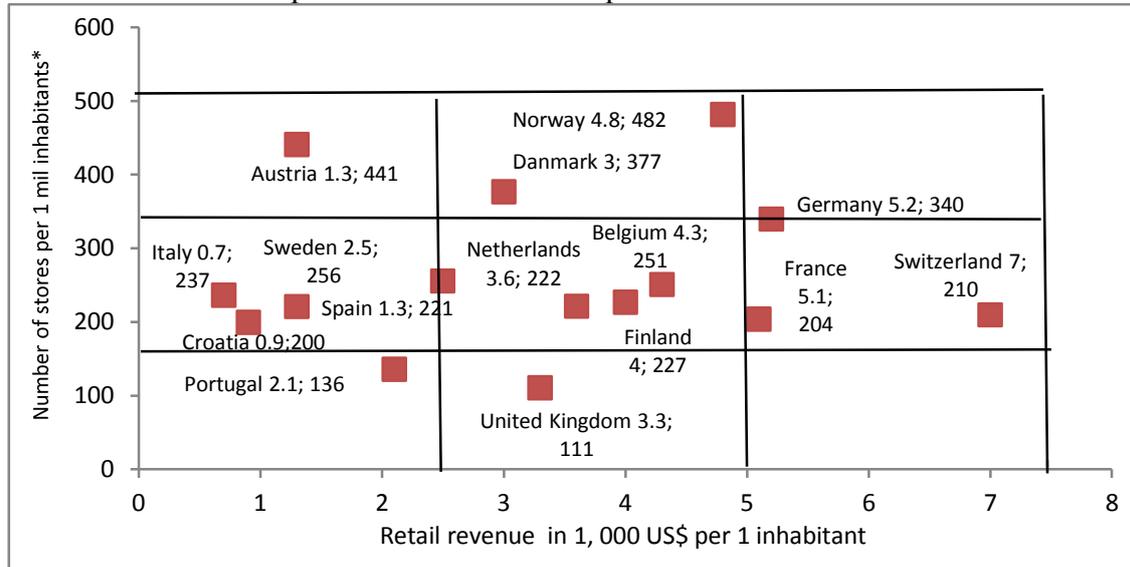


Source: (a) Annual detailed enterprise statistics for trade, Eurostat, 2015  
(b) Population on 1 January by age and sex, Eurostat, 2015.

### 5.3. Density and Development of Retail Trade

As indicator of retail trade density for the analysis in this paper we have used the number of large-surface stores (with sales surface of 400 m<sup>2</sup> and more) in the extended grocery sector per 1 Million inhabitants. It is assumed that in the countries with a higher density of such stores this density is created by large retailers that can expand internationally, i.e., globally. Therefore, the given indicator of density of stores may be confronted with the retail trade income per 1 inhabitant realised by the retailers (from the group of Top 250 global retailers) with their head offices in the respective countries, as it is presented in Graph 2.

Graph 2 shows that Germany belongs to the countries with the highest density of large stores, but also that it is among the countries with large retailers (from the group of Top 250 global retailers) that realise the highest income per 1 inhabitant. Swiss retailers from this group do, indeed, realise an even greater turnover, but the density of large stores in Switzerland is lower. Highest density of stores is found in Norway which belongs to the group of countries with a relatively higher realisation of income per 1 inhabitant than that of the analysed largest retailers. Portugal has the lowest density of stores, and Italy has the lowest income per 1 inhabitant among the analysed largest global retailers from the Top 250 group. Other European countries (with the exception of Russia) did not have their representatives among the Top 250 largest global retailers in 2013.

**Graph 2.** Retail Density in the Grocery Sector and Retail Revenue in Group Top 250 Global Retailers per 1 inhabitant in European Countries 2013

Annotation: \* Stores with sales surface of 400 square metres and more;

\*\* The number of stores in Croatia is the author's estimate

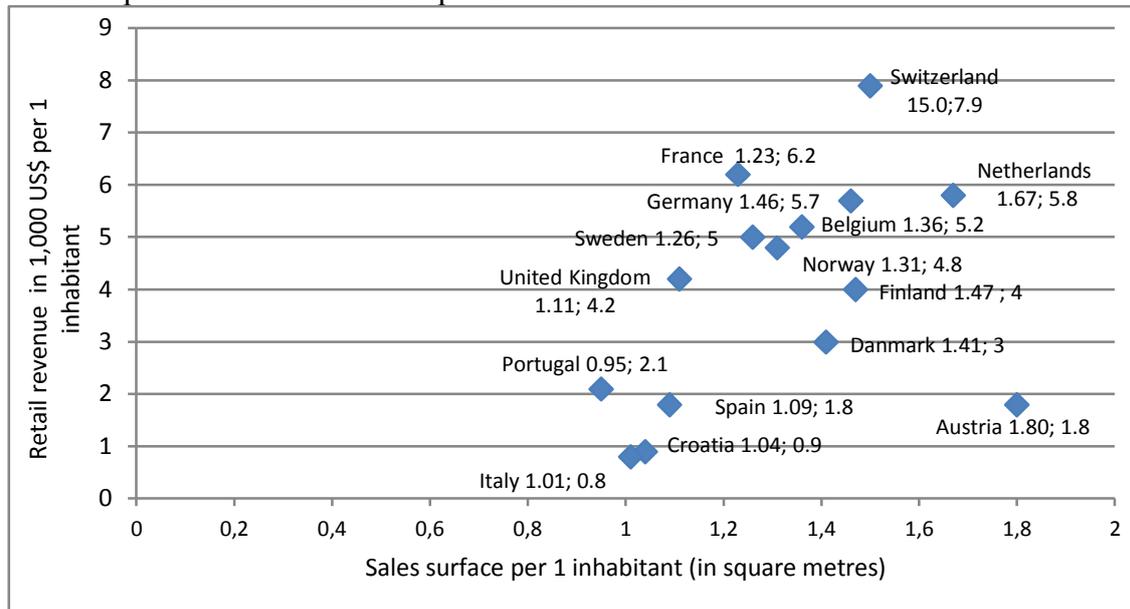
Sources: (a) Global Powers of Retailing 2015, Deloitte

(b) Population on 1 January by age and sex, Eurostat, 2015

(c) Number of stores in grocery sector retailing per 1 Million inhabitants in European countries in 2013 (Anzahl der Filialen im Lebensmitteleinzelhandel pro 1 Million Einwohner in Europa nach Ländern im Jahr 2013), Statista.

As indicator of development of retail trade, in this paper we shall use the indicator of total sales surface (in m<sup>2</sup>) per 1 inhabitant. This indicator is confronted with the indicator of total retail revenue (of the retailers from the group of Top 250 global retailers) per 1 inhabitant (Graph 3).

It is obvious from Graph 3 that in the countries with larger sales surfaces per capita greater revenue is realised from the retail units of large retailers from the group of Top 250 global retailers. Exceptions are Austria (with a relatively large sales surface) and Portugal (with a relatively small sales surface).

**Graph 3** Retail trade development and retail revenue in the group of Top 250 global retailers per 1 inhabitant in European countries 2013

Source: (a) Global Powers of Retailing 2015, Deloitte  
 (b) Einzelhandel Europa 2014, GfK.

## 6. INSTEAD OF A CONCLUSION

This paper sets out from the analysis of the basic concepts in the field of retail trade, wholesale and distribution followed by the analysis of retail trade in the concentration process, and retail trade in the vertical marketing system and supply chain. Emphasis is put on the role of retail trade, i.e. of large retail chains, in vertical marketing systems and in the forming of supply chains. To understand the importance of large retail chains for particular countries, analysis of the Top 250 global retailers was performed according to world's regions, including the identification of the countries with head offices of the largest retailers in 2013. Additionally, the analysis has also comprised 50 largest e-commerce retailers in the world (according to their countries of origin).

Furthermore, based on the analysis of the importance of wholesale, as well as of the density and development of retail trade, attempts were made to determine the characteristics of distribution structures in particular European countries, from which the largest retailers are originating.

The analysis has led to the conclusion that retail density (in the grocery sector) does not have the same importance in the realisation of revenue for large retailers in particular countries, whereas the development of retail trade (measured in sales surface per 1 inhabitant) may be considered as a consequence of concentration and a result of economic development of a particular country.

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