The Main Retail Companies in Romania: Evidence from 2021

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Abstract

The purpose of this article is to present an image of retail trade in Romania in 2021, following the changes caused by the COVID-19 pandemic. It also aimed to identify the factors that are likely to influence the turnover of the largest firms in the field.

The research is based on secondary data. An interesting finding of our research is that despite the growth of e-Commerce in Romania during the pandemic, no online retail company is among the top 10 largest companies by turnover. Furthermore, Romanian consumers prefer retail companies located in isolated locations over shopping centers. A sample of the 10 largest retail companies in Romania was made by turnover in 2021. On the basis of the analysis of multiple linear regression, it could be established that the turnover of the companies in the sample depends on the number of employees, the size of the sales area, the productivity of the labor force, and the yield of the sales areas.

The novelty of the data can be appreciated with the work having a high content of originality. From this point of view, it can make both contributions to the development of theory and practice, being useful both for students, researchers, academics, and for professionals.

Keywords

Retail, e-Commerce, turnover, COVID-19 pandemic, Romania.

Introduction

In 2021, retail in Romania was marked by significant changes, mainly due to the COVID-19 pandemic. After the decline in the growth rate in 2020, the situation improved in 2021. Consumers have become less afraid of spending time in retail stores and economic pressures have somewhat subsided. However, the government's decision to block the proposed wage and pension increases for public sector workers has made many consumers more cautious about their household incomes. One can add the political crisis marked by the change of the governing coalition (Florea et al., 2022).

The trend toward e-Commerce orientation continued as digitalization in this sector continued to develop. However, the growth rates of e-Commerce were somewhat slower in 2021 than in 2020, when the rapid adoption of e-Commerce was due to quarantines and storage among the population. The omnichannel retailing approach has become a popular model for many retailers operating in Romania (Comănescu, 2021).

The COVID-19 pandemic continued to have an impact on Romanian shopping habits in 2021 (Volkmann et al., 2021). Although there has been a return to a certain semblance of normal life, the arrival of the third and fourth waves of the pandemic has had an effect on consumers' shopping carts. Although the increase in retail sales was due to the improvement in the economic situation, the increase in the cost of living led many consumers to shop less often and opt for less expensive products. After the third wave hit in April and May 2021, there was a greater emphasis on prioritizing value for money, with changes to shopping carts revealing a shift towards less expensive options. The fourth wave, which hit in September 2021, had the biggest impact on retail, as strict social distancing regulations were implemented. This led to a huge increase in e-Commerce demand in the last quarter of the year (Birsan et al., 2021).

In this context, an analysis of the main 10 retail companies in Romania is used from the perspective of several indicators that can have a significant influence on turnover. The data used are from secondary sources and refer to the year 2021, since the data from the financial year 2022 were not finalized and published at the time of writing the article.

The general situation of the Romanian retail

Retail and e-Commerce have undergone significant changes in Romania in recent years. The retail sector has been transformed by the growth of large modern retail chains, while e-commerce has seen significant growth in recent years (Micu et al., 2021; Florea et al., 2022).

Previous studies on the retail sector in Romania have identified several key challenges facing the industry, including low productivity, limited innovation, and a fragmented market structure. At the same time, other studies suggest that price, product assortment, and customer service are key factors influencing retail decisions, but they may vary depending on the market and consumer segment (Hategan et al., 2021).

According to Eurostat (2021), the retail sector in Romania represented 15.1% of the gross domestic product (GDP). The industry is dominated by small and medium companies (SMEs), with over 98% of retailers in Romania falling into this category. The top retailers in Romania are international companies such as Carrefour, Auchan, and Lidl, which have a significant presence in the country. It is also worth mentioning the entry into the top of some Romanian companies, such as Dedeman, Altex, and Catena.

After a decrease in the retail sector growth index in 2020, amid the onset of the pandemic (104.96% compared to 109.25% in 2019), 2021 marked a slight recovery, with an index of 105.83% (Table no. 1). The evolution was influenced by companies operating in the physical environment, although online commerce experienced increases in absolute values, but also in the share occupied in the total retail trade, reaching in the reference year 10.55% of the Romanian trade. According to preliminary data (Euromonitor International, 2023), e-Commerce in Romania decreased in 2022 both in absolute value (20930.8 million RON) and as a share in total retail sales in our country (9.07%). As such, stores operating in the physical environment can be found to dominate retail sales in Romania.

Table no. 1. The evolution of retail sales in Romania

- RON million

Years\Indicators	2017	2018	2019	2020	2021	2021/2017
Store-Based Retailing	149355.80	160796.50	172887.40	178193.30	187016.60	
Mobile base (%)	-	107.66	107.52	103.07	104.95	125.22
Non-Store Retailing	8391.90	11478.20	15325.20	19356.30	22051.20	
Mobile base (%)	-	136.78	133.52	126.30	113.92	262.77
Retailing Total	157747.70	172274.70	188212.60	197549.60	209067.90	132.53
Mobile base (%)	-	109.21	109.25	104.96	105.83	
Share of non-store retailing (%)	5.32	6.66	8.14	9.80	10.55	

Source: Euromonitor International, 2023

Romania has a diverse retail market with a mix of modern and traditional retail formats. Modern retail formats, such as hypermarkets, supermarkets, and convenience stores, have gained popularity over the past decade, while traditional markets and small independent stores continue to play an important role in certain regions (Purcărea et al., 2022).

A study conducted by Dabija, Bejan and Grant (2018) examined the factors that influence the preferences of Romanian consumers for different retail formats. The study found that consumers appreciated the comfort, price, and quality of products when choosing a retail format. The study also highlighted the importance of the site, and consumers preferring retail outlets close to their homes or workplaces.

Another study by Grosu (2023) analyzed the competitive dynamics of the Romanian retail sector. The study found that the sector was characterized by a high degree of concentration, with several large retailers dominating the market. The study also found that competition was intense, especially in the hypermarket segment of the market.

Research methodology

The main objective of the research was to identify the factors that determine the evolution of the turnover of the top 10 retail companies in Romania in 2021. In this regard, an analysis was performed based on secondary data taken from Euromonitor International and the Top firms website (https://www.topfirme.com). Factors that have been taken into account are turnover, total number of employees, number of stores, total sales areas held in Romania, labor productivity, the yield of sales areas, and the average number of employees per store.

The dependent variable was considered turnover, and the other variables were considered predictors. Multiple linear regression was used to analyze the relationship. In the first stage, with the Backward method, the nonsignificant variables were removed from the model, namely the average number of employees and the total number of stores. In the second stage, with the Enter method, the relationship between turnover and preachers was tested after the first stage.

To illustrate the relationship between variables, we used the Pearson correlation coefficients to calculate the 7 variables analyzed.

For the analyzes, the SPSS 23 variant statistical software was used.

Results and discussions

In Table no. 2 are presented the analysis indicators for the 10 most important companies in Romania by turnover in 2021. It is noted that, for the first time since entering the market, the market leader became Lidl, who dethroned Kaufland from the first place held for several previous years. Also, Dedeman, a Romanian company occupies the third place, in the top being two other local companies, namely Altex and Catena. All these firms also have the characteristic that they predominantly sell non-food products. The rest of the companies are subsidiaries of European groups.

Supermarkets, discount stores, and proximity stores prefer independent locations. This format remains dominant in the retail industry in Romania for both grocery and non-food stores. Hypermarkets are usually anchor tenants in shopping centers, and non-food specialists are encouraged to establish a presence in large shopping centers to develop their outlet networks nationwide. The preference of Romanian consumers for independent sites can be ascertained. The explanation may be given by the desire to avoid crowding in the context of the COVID-19 pandemic, taking into account the many restrictions it brings. In addition, amid government decisions to block revenues, many consumers have shopped in less expensive retail channels and sought price promotions. The country's retail market is characterized by a high degree of concentration, with a small number of large retailers dominating the market. Furthermore, by combining the data from Tables 1 and 2, the top 10 retail companies in Romania hold 41.86% of total retail sales in 2021.

Table no. 2. Analysis indicators for the top 10 companies in 2021

Company	Turnover – RON billions -	Number of employees	Number of outlets	Sales area - s.m. -	Work productivity -RON thousands -	Sales area yield RON thousand/s.m. -	Average number of employees
Lidl	14.88	9092	314	326600	1636.60	45.56	29
Kaufland	13.98	13512	148	590500	1034.64	23.67	91
Dedeman	10.04	11948	56	596600	840.31	16.83	213
Profi	9.52	15980	686	318400	595.74	29.9	23
Carrefour	9.40	10315	41	291100	911.29	32.29	252
Mega Image	7.47	10663	414	209500	700.55	35.66	26
Auchan	6.33	7911	32	327800	800.15	19.31	247
Altex	5.88	3959	130	126200	1485.22	46.59	30
Penny	5.40	5317	295	236700	1015.61	22.81	18
Catena	4.64	1440	817	48800	3222.22	95.08	2

Source: adaptation after Euromonitor, 2023 and Top firms, 2023

Before presenting the multiple regression analysis, in Table no. 3 the codes of the analysis variables are given.

Table no. 3. Analysis variables

Analysis variables	Cod
Turnover	S
Total number of employees	NoE
Number of stores	NO
Total sales area	SA
Labor productivity	WP
Yield of the sales area	YA
Average number of employees per store	ANE

The variables removed from the backward multiple linear regression analysis model were the average number of employees per store and the number of stores (Table no. 4). The average number of employees is influenced both by the number and size of the store, the assortment sold, and also by the nature of the activity. In addition, the number of stores depends on the type of activity carried out. Large formats have a smaller number of stores, whereas smaller ones have more stores. The model is significant from the perspective of ANOVA (Sig. ,000).

Table no. 4. Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	ANE, YA, NoE, WP, SA, NO[b]	.	Enter
2		. ANE	Backward (criterion: Probability of F-to-remove >= ,100).
3		. NO	Backward (criterion: Probability of F-to-remove >= ,100).

a. Dependent Variable: S
b. All requested variables entered.

The outputs of the multiple linear simple regression analysis highlight a model in which the turnover of the main 10 retail firms is dependent on the total number of employees, the total sales area, the productivity of the labor, and the yield of the sales area, the latter expressed as thousands lei / square meter. In essence, the model shows that the turnover for the 10 firms analyzed is 99% dependent (R-square, 990) on the four independent variables. The number of employees and labor productivity directly influence the turnover, whereas the total sales area and the sales area have a reverse influence.

Table no. 5. Analysis of multiple linear regression

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	YA, NoE, WP, SA[b]	.	Enter

a. Dependent Variable: S

b. All requested variables entered.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,995[a]	,990	,982	195331182,14695

a. Predictors: (Constant), YA, NoE, WP, SA

ANOVAᵃ

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	19096508781956243000,000	4	4774127195489060900,000	125,127	,000ᵇ
	Residual	190771353594628416,000	5	38154270718925680,000		
	Total	19287280135550874000,000	9			

a. Dependent Variable: S

b. Predictors: (Constant), YA, NoE, WP, SA

Coefficientsᵃ

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-60264445,052	413543642,263		-,146	,890
	NoE	116324,465	26380,872	,355	4,409	,007
	SA	-3229,248	582,876	-,389	-5,540	,003
	WP	1596819,279	128629,348	,845	12,414	,000
	YA	-52452521,751	6073091,649	-,434	-8,637	,000

a. Dependent Variable: S

The data in Table no. 6 illustrates that most variables are not related. Basically, there are five correlations, of which 3 are direct and 2 are inverse. Therefore, the strongest correlation occurs between turnover and labor productivity ($r = 0.906$, at a significance level of 1%), which is justified by the nature of the link between the two variables.

Between labor productivity and the number of employees, there is a strong but reverse relationship ($r = -0.732$, at a significance level of 5%). Thus, the tendency to increase the number of employees leads to a decrease in labor productivity, and vice versa.

A strong direct correlation occurs between the sales area and the total number of employees ($r = 0.725$, at a significance level of 5%). The larger the size of the sales area, the more employees are needed.

A strong reverse relationship manifests itself between the number of stores and the average number of employees per store ($r = -0.721$, at a significance level of 5%). The higher the number of stores, the lower the average number of employees per store.

A final correlation, also strong and direct, is between the number of stores and the turnover ($r = 0.670$, at a significance level of 5%). A larger number of stores leads to an increase in turnover.

Table no. 6. Values of the correlation coefficients of the variables

Variables	Pearson correlations						
S	1						
NoE	-,595	1					
NO	,670*	-,145	1				
SA	-,514	,725*	-,514	1			
WP	,906**	-,732*	,527	-,542	1		
YA	-,542	,114	-,208	-,173	-,255	1	
ANE	-,313	,257	-,721*	,489	-,406	-,255	1

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Therefore, it can be concluded that the turnover of the first 10 retail companies in Romania is directly influenced by the number of stores and labor productivity. In addition, a similar relationship exists between the number of stores and the total sales area. Between labor productivity and the total number of employees there is a reverse relationship, as well as between the number of stores and the average number of employees per store.

Conclusions

The country's strong economic growth, rising consumer purchasing power, and the growth of the middle class are expected to stimulate demand for retail products and services. The growth of e-Commerce is also expected to be a significant driver of the industry as more and more Romanians embrace online shopping.

However, there are also challenges facing the industry, particularly in the area of logistics and infrastructure. The lack of modern logistics and transport infrastructure in Romania can make it difficult for retailers to move goods efficiently throughout the country. Addressing these challenges will be essential for the continued growth and success of the retail industry in Romania.

The retail industry in Romania has experienced significant growth and development in recent years and is currently one of the largest sectors of the Romanian economy. This increase was driven in part by increased consumer income and demand, as well as increased investment and competition from both domestic and international retailers.

There are several key trends and challenges facing the Romanian retail industry in the coming years, including increasing digitalization and e-Commerce, changing consumer preferences and demographics, and sustainability and environmental concerns. Retailers that are able to adapt to these trends and challenges are likely to be more successful in the long run.

The forecast for retail in Romania is mixed, with an expected positive growth, but with lower rates due to the financial pressures felt by many households. High inflation and rising living costs are expected to have a negative impact on consumers' demand for goods, even in the case of rising incomes. However, the anticipated return to pre-COVID-19 normalcy is expected to benefit retailers in physical stores as customer traffic in downtown shopping centers and shopping districts grows. Furthermore, e-Commerce is expected to continue to grow as consumers appreciate the convenience and time savings attributes of online shopping, with online marketplaces presenting opportunities for smaller retailers and saving time and effort for consumers.

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