# INTERNATIONALIZATION OF RETAIL TRADE AND FORMATION OF SHOPS

**Zdenko Segetlija, PhD**
J.J. Strossmayer University in Osijek / Faculty of Economics, Osijek
Gajev trg 7, 31000 Osijek, Croatia
Phone: +385 31 22 44 00 Fax: +385 31 21 16 04
E-mail address: seget@efos.hr

**Key words**: *retail trade, internationalization of the retail trade, shop formats, corporate strategy, the Republic of Croatia*

## 1. INTRODUCTION

The development of retail trade must today be viewed in the light of its internationalization because of the intertwinement of international economic flows and a growing expansion of business activities of large retail companies both in their own country and abroad.

In this paper, we shall try to give some basic information about the influence of internationalization of retail trade on faster development of particular forms of shops, on the retail structure, as well as on the possible development of production in the country into which large international retail chains are expanding. Furthermore, we shall also point at some specific characteristics of the internationalization of retail trade in the Republic of Croatia.

The purpose of this paper is to provide a basis for more extensive studies of internationalization and globalization of retail trade and for consideration of these phenomena in the context of economic development.

## 2. THE NEED FOR INTERNATIONALIZATION AND GLOBALIZATION OF RETAIL TRADE

The term *internationalization* was derived from the adjective "international" which in English means the extending across the boundaries of an individual state, so that one can speak about the internationalization of a company at the very moment when it starts to engage in foreign markets[1]. Thus, for an individual company, internationalization means engaging in business activities abroad.

Within the corporate strategy of a company, it is necessary to also observe its internationalization, which actually enables the development of this company. Such companies that have already reached their critical size and that have no further possibilities of growth on their home market (because of the competition law), may find new opportunities for development only on the world market (cf. Meissner/Simmet, 1990, p. 40).

[1] Weber, W.; Kabst, R.: 'Internationalisierung mittelständischer Unternehmen: Organisationsform und Personalmanagement', in: Gutmann, J. and Kabst, R. (2000): *Internationalisierung im Mittelstand,* Gabler, Wiesbaden, 2000., pp. 3 – 89, p. .8, cf: 'Internationalisierung von Unternehmen' http://www.hartling.name/internationalisierung/begriff.html [Accessed 14.12.2007]

So, for example, in Germany in 1990 the market share of ten largest retailers in the line of work of food goods and groceries was around 65 % (today approximately 85 %), which has considerably aggravated further growth of these companies in their own country (Hanf/Hanf, 2005, p.89). There is, therefore, a high concentration of retail trade on the home market, so only investments abroad offer big companies in the lines of business potentials for growth without violating legal provisions about monopoly[2].

When speaking about internationalization, many people almost always also think about globalization (Internationalisierung von Unternehmen..., 2007). Actually, globalization can be regarded as the philosophy of internationalization (Tietz, 1990a, p. 9).

Globalization marks the opening of national economies and borders as the consequence of expansion of trade, flow of capital, movement of people and exchange of ideas, spreading of information, knowledge and technologies, as well as a process of deregulation...This is by no means a new phenomenon, although the process has already been accelerating in the past few years (Europa Glossar, 2007).

What we can understand under globalization is the global intertwinement of national economies through the creation of global capital, goods and services markets and expansion of world transnational companies and company alliances (Greve, 2000).

The concept of globalization comprises both internationalization multinationalization in addition to the shifts in the distribution of power between the politics and economy (Brodowski, 2000, p. 1). That is to say that multinationalization has marked the formation of strategies that are specific for particular countries or groups of countries (Tietz, 1990b, p. 103). In this connection there is also the term „glocalization" which could be used to designate the introduction of a "global" product which is being adjusted to the respective local needs of buyers (Von der Internationalisierung..., 2007).

Internationalization and globalization are based, first of all, on the aims of development, but not less important are also the aims of the distribution of risk and participating in the development of other trading companies based on the transfer of experience from one country into the other (Tietz, 1993, p. 1495).

Unlike the wholesale trade, the growing importance of internationalization in the field of retail trade has been realized only recently (Peisert, 2004, p. 2). Retail trade is, namely, traditionally "local", so that until recently it could have hardly been said for any two countries that they have the same retail structure (Einzelhandel in Deutschland, 2003).

Dramatic changes have been taking place in the retail trade in the developed world, as well as in the countries into which the world active retail companies have been expanding, whereby the results of the concentration and internationalization processes are particularly obvious (Wortmann, 2003). The processes in question here are the horizontal and vertical concentration with the wholesale trade, and retail trade has also developed a special relation with suppliers in the sense of *lean retailing* where the flows of merchandise / goods and information are being optimized. Furthermore, there has been a new distribution of work between the industry and trade and an expansion of trade-marks.

[2] George, G.; Diler, H. (1993): 'Internationalisierung als Wachstumsstrategie des Einzelhandels´, in: Tommsdorff, V., ed: *Handelsforschung 1992/1993*, Wiesbaden: Gabler, pp. 165 – 186, p.139, according to Hanf/Hanf, 2005, p. 89.

To illustrate the size of the companies in question, in Table 1 we have presented ten of the world's largest retailers in the *grocery* branch (Ger. *Lebensmittelhandel*).

**Table 1: Ten largest global retalers in the grocery sector in 2006**

| Rank | Enterprise—group | Country of origin | Group turnover plus VAT, in bill. US$ | Foreign turnover, in % |
|---|---|---|---|---|
| 1. | Wal-Mart Stores, Inc. | USA | 376,430 | 22 |
| 2. | Carrefour S. A. | France | 122,214 | 53 |
| 3. | Metro Group | Germany | 87,360 | 55 |
| 4. | Tesco Plc. | UK | 86,827 | 25 |
| 5. | Seven & I. Holdings Co., Ltd. (1) | Japan | 79,101 | 34 |
| 6. | Ahold N. V. | Holland | 77,546 | 82 |
| 7. | The Croger Co. | USA | 69,549 | 0 |
| 8. | Sears Holdings Corporation | USA | 64,833 | 12 |
| 9. | Costco Wholesale Corp. | USA | 64,737 | 20 |
| 10. | Target Corp. | USA | 62,584 | 0 |

**Source**: *Planet Retail,* May 2007, according to *Top 30 Welt 2006*

In the table we can observe the already well known fact that company-groups from larger countries can still, to some extent, expand in their domiciliary countries and are not yet forced to expand into other countries as it is the case with company-groups from smaller countries of origin.

Internationally active trading companies can form international or even global value chains. This includes trade-marks and some other forms of cooperation, and especially important are processes of globalization of acquisition in retail trade. Therefore, global value creation chains can be diversely formed and coordinated, and the trading company more and more frequently plays the central role in the process. As example, we can use the agrarian products branch where global food concerns and retail chains have become integrators of international value chains (Stamm, 2004). In this connection, new forms of retail trade are developing as well, especially large surface shops (for example hypermarkets), discounters, extramural professional markets (Ger. *Fachmarkt*) and the like.

In past analyses of international value chains the attention was focused on international finance capital or the multinational production company. However, the development of large retail trade and market oriented companies paved the way for other effects of internationalization, i.e. globalization (Cf. Einzelhandel und Globalisierung..., 2007). Penetration of large international retail chains from highly developed countries onto the markets of the developing world also means the penetration of those manufacturers which participate in their value chains. Thus new forms of retail trade are developing in these countries; but, at the same time, the domiciliary production and retail companies in these countries are jeopardized. As an answer to this challenge, domiciliary retail companies need to concentrate as well and develop international value chains of their own.

## 3. POSSIBILITIES FOR EXPANSION OF RETAILERS ON THE INTERNATIONAL PLAN

The possibilities for activity of internationally active retail companies relate to the transfer of goods, know-how, staff, means of production, or capital[3]. Here, internationalization can be graded as follows: export, franchising, joint venture, purchase of companies, foundation of

[3] Cf.: Berekoven, L. (1978): *Internationales Marketing*, Wiesbaden, p. 38, according to: Meffert, H., and Althans, J. (1982): *Internationales Marketing*, Stuttgart etc.: Verlag W. Kohlhammer p. 26.

daughter companies. In the implementation of the decisions about the internationalization of business of a retail company there are also some other strategic options that need to be mentioned: license, concession, cooperation with the so-called cross-border associations of retailers, etc[4]. The following methods of entering foreign markets can be distinguished (Pietersen/Schrahe, 2004, pp. 58-68):

(a) mergers and acquisitions;
(b) seed corn acquisition;
(c) foundation of branch offices;
(d) joint ventures;
(e) franchising.

Because of the great influence of the retail trade's environment on the formation of its structure (Cf.: Jain, 1996, p. 537) every country has its own specific forms of shops through which the large retail systems try to expand into other countries. Since internationalization in the retail trade means primarily the transfer of know-how from one country into another (Tietz, 1990a, p. 12), the effects of internationalization are first observable in the faster technical and technological development of international retail trade. Equally important in the internationalization of retail trade are adaptations in the sphere of logistics, so that it also influences the possibilities of rationalization (Cf.: Meissner/Simmet, 1990, p. 39).

The arrival of foreign retailers into a country creates additional competition on its home market with all accompanying positive and negative effects for that country's economic system as a whole. Additional competition can have positive influence on domestic retailers so that they may rationalize and improve the forms of their shops in the sense of marketing, and that they may copy certain strategies and technical-technological and organizational solutions.

Equally, the thus enriched offer can reduce the outflow of purchasing power into other countries, improve the level of satisfying the tourist needs, and the like. In respect to the interconnection of retail trade and its surroundings, internationalization of retail trade could, to some extent, produce positive effects not only for the development of consumption, but also for the development of domestic production. Some transition countries in Central and Eastern Europe are usually set out as positive examples of effects of internationalization on retail trade. In these countries, benefits from the internationalization of retail trade refer to the restructuring of home retail trade and enriching the trade offer, whereas the disadvantages arising from internationalization of retail trade are the difficulties in the business operations of home retailers. Furthermore, as benefits from foreign retail chains, some authors emphasize their contribution to the growth of the sales volume and export of the domestic industry (Anić/Vouk, 2000, p. 45-46).

Today, of course, through the internationalization of retail trade, large retail companies also transfer from the countries of origin adequate ideas about the new role of marketing in the society. This means that internationalization means not only the said transfer of know-how and business conceptions, but also the transfer of culture, i.e. the management of culture (Anderer, 1997).

[4] Cf. McGoldrick, P. J. (1995): 'Introduction to international Retailing', in: xxx (1995): International Retailing - Trends and Strategies, London: Pitman Publishing, p. 8, according to: Knego, N. (1998): 'Moguće ulazne strategije u procesu internacionalizacije maloprodaje', *Ekonomska misao i praksa*, Vol. 7, No 2, pp. 313-332, p. 322 (in Croatian)

## 4. FORMS OF SHOPS USED IN THE EXPANSION INTO THE FOREIGN MARKETS

In the strategy of internationalization of retail trade we can distinguish (Tietz, 1990a, p. 7):

(a) products strategy
(b) marketing strategy.

In the product strategy the retail company expands abroad offering the same products that are offered in the retail trade in the country of origin. Marketing strategy uses marketing instruments in approaching the market (marketing mix).

Choice of the shop format depends, first of all, on the so-called organizational internationalization. This means the creation of international concerns through participation in the capital, the takeover of companies in different countries, the use of business conceptions outside of the borders of a given country, etc. (Bruins, 1990, p. 97).

In the framework of multinational marketing concepts, the mostly used are basic global concepts. They are adjusted to national peculiarities in the sphere of assortment, pricing, communications and shop formats concepts (Jain, 1996, p. 538).

This adjustment is given great importance, and it is also the condition for successful expansion of new shop formats. Innovations from the USA, relating to self-service shops, supermarkets, discounts houses and suburban shopping centers, have – with certain adjustments – gradually found their way into all countries. As an example, there are new discount houses in Germany, the so-called consumer markets (Ger. *Fachmarkt*), i.e. self-service department stores. In France, evolution of discounting has after 1960 turned supermarkets into hypermarkets, but hypermarkets were not successful in the USA (Jain, 1996, p. 538). In the internationalization of retail trade the first step is the choice of location. The choice of locations also means the choice of the shop's surrounding, especially of its potential customers and competitors. Therefore the decision about the location is burdened with the highest risk. The decision about the location is the foundation for other long-term, strategic decisions that demand considerable investment.

Decision about the macro location determines the region or the settlement in which the shop will be situated, and micro location determines the position of the shop on the chosen macro location. In international retail trade decisions about the macro location are especially important, regarding the favorableness of a certain country, region or city for the expansion of the shops. Furthermore, macro location is especially important for "affiliated" companies, because this involves the characteristics of the geographical area in which their branch-shops are located.

Because of the fact that in the formation of shops there is the *polarization* into large-surface and small shops, in the internationalization of retail trade we should distinguish (Tietz, 1993, p. 1497):

a) internationalization of discount and volume
b) internationalization of voids, i.e. of the small niches that were not filled by high style bidders.

The following text will deal with the internationalization of discount and volume, i.e. with the internationalization of large surface shops.

## 5. INTERNATIONALIZATION of LARGE SURFACE SHOPS

When it is comes to the internationalization of large surface shops (Tietz, 1990a, p. 10), location is of special importance. Advantages of such strategy have come to expression in those countries in which there were large voids in the retail offer, as consequences of earlier legal restrictions or undeveloped markets. In countries with developed markets there are now considerable restrictions in acquiring locations for large surface shops, and there were also restrictions fifteen or more years ago (Berekoven, 1990, pp. 374-379; Tietz, 1993, pp. 1496-97). Large surface shops include: department stores, hypermarkets, professional markets (Ger. *Fachmarkt*), discount shops and the like. Shops with small surfaces can be professional, specialized, etc. and they are usually within the system of franchising. The central question in the choice of locations is the locally conditioned *market potential*. Market potential is the expression of the possibilities for the retailer to realize a certain turnover in his market area (Hansen, 1990, p. 173-74).

Indicative for the globalization in the area of groceries and consumer goods, which has been developing most rapidly, is the expansion into markets with strongly growing expenses per capita for food goods, as well as into countries with a developing concentration of local players, which allows takeovers, but only with guarantees for adequate local relations. In this connection, in table 2 we have presented the ranking of countries according to the amounts of their expenses per capita (Pieterson/Schrahe, 2006, p. 26, according to: IGD Research). The presented data could be used for the calculation of indicators in the evaluation of the retail trade macro location, e.g. for the calculation of the regional index of buying power[5].

Table 2 shows great differences in the consumption per capita in particular countries, so that, first of all, the countries with low consumption present potential emerging markets for world players (especially China and Russia). In addition to this, very important is also the “level of maturity“ of a country’s market regarding the level of concentration in the retail trade. Of course, it is more difficult to penetrate into “more mature” markets with higher level of concentration. According to the prognostics given by the IGD (Institute of Grocery Distribution) in 2003 (Pieterson/Schrahe, 2006, p. 27), only the retailers which develop the following three types of retail operating units: hypermarkets, discount stores and convenience stores, will be able to develop properly. These retailers have clearly focused on the discount or on the convenience (proximity, etc.), and on the local adaptation of assortment (hypermarkets and convenience stores). There is, however, an equally dynamic development of the “Cash and Carry” type of shops.

**Table 2: Country ranking pursuant to the 2002 per capita expenditures**

| Country | Retail grocery turnover | | No. of inhabitants in mill. | Consumption expenditures in bill. of € | Foodstuff retail | | Market share of first three business |
|---|---|---|---|---|---|---|---|
| | € per capita | Total bill. € | | | Tot. bill. € | € per capita | |
| Japan | 4.424,62 | 562,36 | 127,1 | 2.518,00 | 454,13 | 3.572,59 | 15% |
| USA | 3.691,43 | 1.048,33 | 284,0 | 7.360,46 | 641,94 | 2.261,12 | 27% |
| France | 3.073,89 | 181,87 | 59,2 | 756,11 | 117,04 | 1.977,82 | 53% |
| UK | 2.791,65 | 167,22 | 59,9 | 977,34 | 113,32 | 1.891,87 | 47% |
| Germany | 2.568,83 | 211,15 | 82,2 | 1.163,13 | 148,55 | 1.806,99 | 41% |
| Italy | 2.409,67 | 139,00 | 57,7 | 694,46 | 109,29 | 1.893,99 | 14% |
| Canada | 2.374,65 | 73,64 | 31,0 | 403,84 | 46,05 | 1.484,42 | 51% |

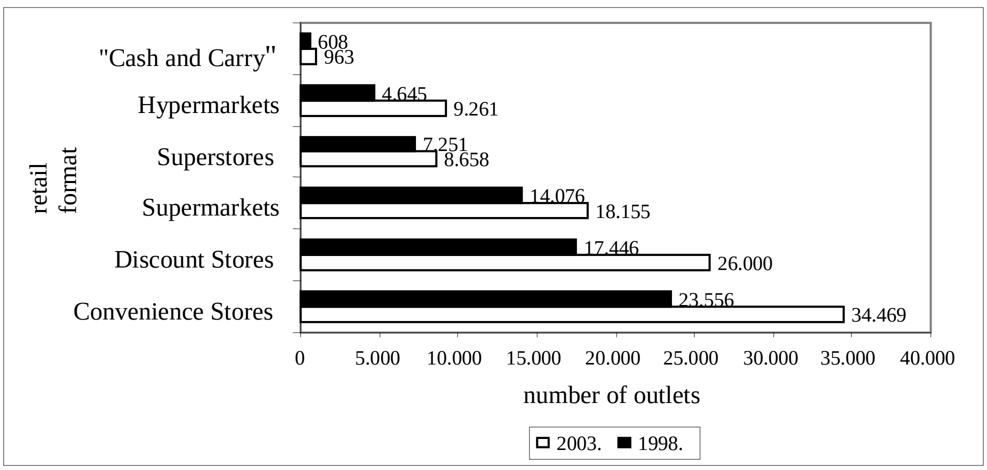
[5] About the regional index of buying power cf. inter alia*:* Tietz, B. (1993): *Handelsbetrieb,* Second Edition, München: Verlag Franz Wahlen GmbH, p. 216

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Holland | 2.342,82 | 37,56 | 16,0 | 197,99 | 33,11 | 2.064,82 | 47% |
| Australia | 2.188,97 | 42,44 | 19,4 | 232,27 | 32,26 | 1.663,74 | 58% |
| Spain | 1.741,20 | 68,76 | 39,5 | 363,94 | 54,75 | 1.385,74 | 28% |
| Argentina | 1.160,80 | 43,50 | 37,5 | 197,68 | 36,08 | 962,39 | 65% |
| Poland | 861,59 | 33,32 | 38,7 | 117,25 | 29,60 | 766,09 | 13% |
| S. Korea | 846,73 | 40,32 | 47,6 | 256,67 | 30,24 | 634,51 | 21% |
| Mexico | 746,99 | 74,27 | 99,4 | 442,46 | 66,85 | 672,71 | 23% |
| Russia | 704,54 | 102,07 | 144,8 | 161,49 | 94,01 | 649,37 | 1% |
| Turkey | 533,71 | 35,33 | 66,2 | 111,94 | 29.50 | 445,65 | 7% |
| Brazil | 261,02 | 45,10 | 172,6 | 323,09 | 37,14 | 215,40 | 34% |
| China | 236,62 | 301,34 | 1.271,0 | 590,27 | 247,23 | 194,17 | 6% |
| India | 167,65 | 172,95 | 1.033,4 | 310,68 | 155,96 | 150,67 | < 1% |

**Source**: *IGD Research*, according to: Pietersen/Schrahe, 2004, p. 26

Graph 1 presents six types of shops that were mostly developed by the 30 largest retailers in the world in 1998 and 2003. Here it should be mentioned that different companies have different numbers of retail formats (according to: MM+ Planet Retail, in: Pieterson/Schrahe, 2006, p. 27).

**Graph 1: Outlets of the top 30 international retailers in the *grocery* sector**




In the analysis of the development of large surface shops, e.g. hypermarkets, on the global plan, it can be observed that the activities of internationalization have grown especially after 1985, and the reasons for this growth are (Cf.: Pietersen/Schrahe, 2004, p. 32):

- satiated home markets;
- improved analysis tools for identification of chances and risks in the target country;
- reduction of global complexity in the supply, inter alia through cooperation with manufacturers and agents;
- growing modularity of the used shop formats which eases their international multiplication;
- in some cases expectations of the capital markets that must be respected.

The number of hypermarkets, owned by the world's 30 largest retailers, and their distribution over regions around the world in 1998 and 2003 are presented in table 3. The table shows hat their development was the fastest in Central and Eastern Europe. In America, this development was slower, because there it had started earlier, and in Asia a faster development of hypermarkets is yet to be expected.

It is believed that large surface shops will also in the future remain the area for experimenting regarding the formation of assortment, structure of shops, price politics and adaptation to the trends and location defined conditions for the trading company, so that the emerging markets provide effects of proportion and effects of learning, which together with large surfaces, can find the use in the world conceptions of flows (Pietersen/Schrahe, 2004, p. 33).

The French firm Carrefour with hypermarket as the shop format with the large surface (approximately 5,000 m$^2$) is frequently taken as an example for the internationalization of the format of large surface grocery shops (Pietersen/Schrahe, 2004, pp. 30-35). The said company started developing this shop format in mid 1960's in France. However, at the moment, the strongest retailer with large surface shops is the American *Wal Mart*, and there are also *Auchan* (France) and *Tesco* (Great Britain) which stand out as innovators in this field of shop formatting. *Auchan* has made a name by offering better adjustment of the merchandise assortment to local needs and especially by introducing specific forms of presentations of goods, e.g. in the department "child", while Tesco develops its format of hypermarkets in close cooperation with local partners through joint ventures, which again means better adjustment to local needs.

**Table 3: Number of hypermakets of the 30 largest global retailers in the grocery field per world regions**

| Region | No. in 1998 | No. in 2003 | Change |
|---|---|---|---|
| Africa | 0 | 22 | - |
| Asia/Pacific | 811 | 1,097 | 35% |
| Central and Eastern Europe | 63 | 338 | 437% |
| Latin America | 339 | 627 | 85% |
| North America | 2,451 | 4,693 | 92% |
| Western Europe | 1,964 | 2,497 | 27% |
| Total | 5,628 | 9,274 | 64% |

**Source**: *M+M Planet Retail*, according to: Pietersen/Schrahe, 2004, p. 30

On the other hand, in the past, European retailers with their different strategies expanded into the USA, Asia and Latin America.(Pietersen/Schrahe, 2004, p. 31). Of course, the development of hypermarkets in particular countries was influenced by the intensity of competition, as well as by the preferences of the consumers and by regulatory procedures of the state that can function in a protectionist manner. A retail market for hypermarkets is considered ripened, satiated if there is one hypermarket on 100,000 inhabitants; such markets are those in France and Germany, whereas Great Britain, Italy and Spain still have room for the development of this shop format (Pietersen/Schrahe, 2004, p.33). Of course, especially good opportunities for the development of this format of shops exist in the countries of Eastern Europe, as well as in Russia and China.

However, regardless of the advantages of large surface shops relating to the possibilities to experiment in the formation of assortment, in the construction of shops, in price politics and in the adaptation to local trends, as well as of the advantage of the economy of scale and of the effects resulting from the learning based on global trends, it is believed that the development of hypermarkets in the future will be directed towards smaller surfaces with limited, but therefore leading assortment (examples for this are *Tesco* and *Kaufland*).

Discount store, as a special shop format, has achieved best results in Western Europe, where there are about 90 % of all discount stores, operated by globally active retailers (Pietersen/Schrahe, 2004, p. 35). This shop format in Germany, in 2003, reached a share of about 40 % of the total retail turnover in the grocery branch. However, it is considered that the retail market is mature for discounters already when their market share in the branch of groceries has reached at least 30 % (Pietersen/Schrahe, 2004, p. 37). The reasons for this are the structures of already created relations between retailers and suppliers, which can not be quickly changed.

Anyway, in international expansion discounters are to a large extent confronted with the central challenge to join the leadership in costs, standardization and the existing local conditions in such a way that would allow them to retain their own business model – leadership in costs while at the same time keeping a high degree of standardization. On the other hand, there are also some immeasurable factors, such as for example the rejection of Swedish dairy industry to co-operate with Lidl, that force the discounters to abandon the directions which they have taken, for example by joining the strategy of format multiplying (Pietersen/Schrahe, 2004, p.38).

## 6. INTERNATIONALIZATION OF THE RETAIL TRADE IN THE REPUBLIC OF CROATIA

It has already been known for quite some time that, in developing its system of open market economy, the Republic of Croatia needs to economically connect with other countries. Of special interest for the Republic of Croatia is the connection with the European Union, and today Croatia is a candidate for the membership in the European Union. Croatia is already economically, culturally, historically, politically, geo-strategically and civilizationally connected with the European economic space (Samardžija, 1994, p. 159). The Republic of Croatia, which has declared its orientation towards the market economy system, has after 1990 launched cost prices that were higher than the retail prices in large foreign retail chains, so that the consumers were buying most of the mass consumption goods in the neighboring countries (Segetlija, 2003; Segetlija, 2004). Furthermore, retail trade in Croatia was in its largest part fragmentized and very heterogeneous, and only since 1998, after a faster entry of foreign large surface shops, concentration processes have begun in the Croatian retail trade as well.

The needs for the internationalization of Croatian retail trade and for the development of adequate formats of shops on this basis could be evaluated by comparing the following indicators (Segetlija/Lamza-Maronić, 1999, p. 117; Segetlija, 2006, p. 27 35):

a. development of retail capacities (number of shops, $m^2$ of selling surface, etc.);
b. market potential (the index of retail satiation, regional index of buying power);
c. main characteristics of the of distribution system;
d. concentration level in the retail trade, shares of the large and modern shops in the realized retail turnover, etc;
e. drain of the buying power from the Republic of Croatia into other (mainly neighboring) countries.

Especially important are comparisons of concentration in the retail trade, because only large retail companies and co-operative creations offer the possibility to use modern technical and technological solutions. At the same time, tough competition forces these large companies to permanent innovations and technical and technological improvements. On the other hand, independent and unassociated retailers lag behind in their technical and technological development.

In the every case, we can conclude that Croatian retail trade is now facing great challenges, such as (Distributivna trgovina, 2007):

(a) greater competition on the home market;
(b) processes of concentration and takeover;
(c) introduction of new technologies;
(d) new retail formats;
(e) electronic trade;
(f) influence of globalization.

The same material requests from the legislature tot insure the development of an efficient system of market competition. According to the data provided by the Gfk Croatia about the value share of the leading retail companies on the Croatian market, Croatian market is today characterized by a high level of concentration, so that in the *grocery* branch the first ten retailers in 2006 had a share of 61.4 % (foreign retail chains from this group held 24.1 % of the Croatian retail market)[6]. This means that the process of concentration in the retail trade in Croatia has advanced significantly. However, even the greatest retail company in the Republic of Croatia ("Konzum") is still insignificant in respect to the large world retail chains. In 2006 "Konzum" had a total income of only 128.4 million € (The best 500 – the top 500 Creators of Added Value in Croatia, 2007, p. 70). Table 4 present the concentration in the retail trade in the Republic Of Croatia in 2006 and 2002.

**Table 4: Retail turnover concentration in the republic of Croatia's grocery sector* in 2006 and 2002**

| No. | Company or group name | Overall 2006 revenue, in mills. HRK | Overall 2002 revenue, in mills. HRK | Turnover share, in % 2006* | 2002* |
|---|---|---|---|---|---|
| 1. | Konzum | 9,735 | 4,105 | 24.1 | 12.2 |
| 2. | Ultragros** | 6,000 | 1,500 | 14.8 | 4.5 |
| 3. | NTL*** | 3,754 | - | 9.3 | - |
| 4. | CBA Hrvatska | 2,862 | 2,500 | 7.1 | 7.4 |
| 5. | Getro | 2,073 | 1,911 | 5.1 | 5.7 |
| 6. | Metro C&C**** | 2,131 | 604 | 5.3 | 1.8 |
| 7 | Kaufland | 1,581 | 477 | 3.9 | 1.4 |
| 8. | Billa | 1,723 | 850 | 4.3 | 2.5 |
| 9. | Mercator – H | 1,998 | 889 | 4.9 | 2.6 |
| 10. | KTC Križevci | 1,215 | 823 | 3.0 | 2.4 |
| 11. | Kerum*** | 1,105 | 581 | 2.7 | 1.7 |
| 12. | Alastor***** | - | 843 | - | 2.5 |
| | **First 10 total** | **33,065** | **14,606** | **81.8** | **43.3** |

Sources: (a) 400 najvećih hrvatskih tvrtki u 2006. godini," *Privredni vjesnik (*vol. 54, 3500): 1–193, 58, 106
(b) xxx (2007): "Ultragros," http://www.ultragros.hr [Accessed on Feb. 21, 2007]
(c) xxx (2005): "CBA—Hrvatski nacionalni trgovački lanac," http://www:cba-zg.hr/ [Acc 5/4/07]
(d) xxx (2007): "CBA – Hrvatski nacionalni trgovački lanac," http://www:cba-zg.hr/ [Acc 15/2/08]
(e) http://www.konzum.hr [Accessed on Apr. 5, 2007]
(f) http://www.nacional.hr/articles/wiew/17287/ [Accessed on Apr. 5, 2007]
(g) xxx (2005): "Ultragros," http://www.ultragros.hr [Accessed on Apr. 5, 2007]
(h) xxx (2007): "Ultragros," http://www.ultragros.hr [Accessed on Feb. 21, 2008]
(i) SLJH 2003, p. 375 (j) SLJH 2007, p. 410

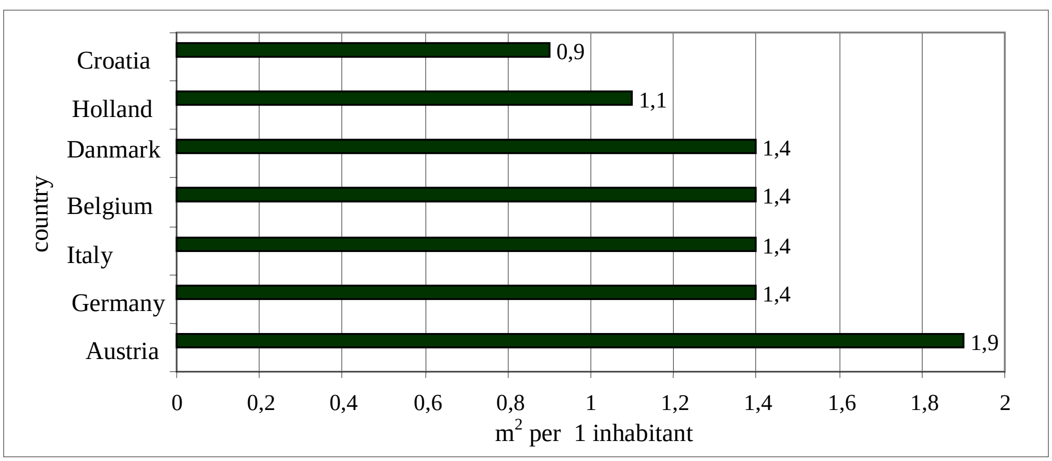
**turnover shares in the overall turnover*
*** As the Ultragros associations, 23 members (companies) and the Gastro group were encompassed.*
**** As NTL, included were Kerum, Plodine, Presoflex and Tomy.*
***** For Metro C&C, an estimation on the basis of the revenues shown in xxx (2007), "The best 500—The Top 500 Creators of Value-Added in Croatia," Zagreb: Lider press, p. 76.*

[6] Cf.: GfK Consumer Scan/Household Panel, in: (2007): Distributivna trgovina http://www.hgk.hr [Accesed on 20th November 2007].

The importance of internationalization of retail trade in the Republic of Croatia has been insufficiently analyzed. For example, although the materials of the Croatian Chamber of Commerce in Zagreb (Distributivna trgovina...2007) emphasize the importance of distributive trade, there are neither analyses of the internationalization of retail trade in the Republic of Croatia nor evaluations of its positive and/or negative effects. Equally, the official statistic contain no information about the import in the branch of distributive trade, but only about the value of imported products according to their purpose. In 2006 Croatia imported food and non-durable consumer goods for approximately 15,018 million kuna (SLJH 2007, p. 379), which is approximately 50 % of the realized turnover of the retail trade: (a) in unspecialized shops offering predominantly food, drinks and tobacco products, (b) in the retail trade selling food, drinks and tobacco products in specialized shops, and (c) in the retail trade selling pharmaceutical, medical, cosmetic and toilet products. However, in *Informacija o stanju u gospodarstvu na području Osječko-baranjske županije* (*Information about the Situation in the Economy in the Area of Osijek-Baranya County*) (2007, p. 89) there are information about the share of import in trade. In 2006, this import amounted to 148,079 thousand US$ (approximately 7.5 billion kuna), which would be almost 90 % of the turnover realized by the companies in the retail trade branch. Furthermore, the same material emphasizes that, contrary to the expectations of the retail chains, there was no massive inflow of buyers from neighboring countries.

The Republic of Croatia is still very interesting as a market on which foreign large retail chains are expanding. That is, the expenses per capita for grocery in the Republic of Croatia in 2006 could be estimated at 1,040.68 €[7], which would mean that there is still room for greater turnover in this retail branch. Expenses for food in 2006 could be estimated at 957.84 €[8]. In this connection, the selling surface per inhabitant was in 2004 still lagging behind the developed European countries. This can be observed in Graph 2 (according to: [a] Einzelhandelsumsatz, Verkaufsfläche und Flächenproduktivität in europäischen Ländern 2003, [b] Izvještaj o prodajnim kapacitetima u trgovini na malo za 2004 - konačni rezultati (Report about Selling Capacities in the Retail Trade for 2004, Upshots, 2006)).

**Graph 2: Selling surfaces per inhabitant in some European countries (2003) and in Croatia (2004)**

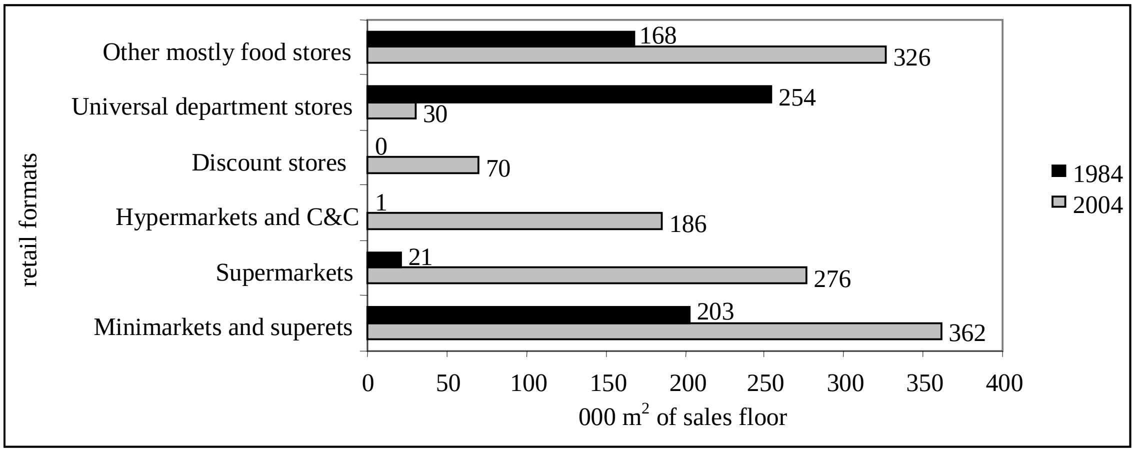



All this has reflected on the structure of the shops' selling space according to size, so that in the grocery branch there was a considerable growth of selling surfaces in emporiums. A comparison of the selling surface of shops according to their size for 2004 and 1984 is given

[7] Cf.: SLJH 2007, pp. 406; 408 (for turnover in the retail trade), p. 92 (for population); exchange rate:1€=7.4 kn.
[8] Cf.: SLJH 2007, p. 195 (individual consumption per household member), exchange rate:1€=7.4 kn.

Graph 3 (According to: [a] Unutrašnja trgovina – kapaciteti prodaje 1984, 1987, p. 39; (Domestic Trade Selling Capacities 1984, 1987, p. 39); [b] Izvještaj o prodajnim kapacitetima u trgovini na malo za 2004 - konačni rezultati, 2006 (Report about the Selling Capacities in the Retail Trade for 2004, Upshots, 2006)).

**Graph 3: Selling lines of retail outlets in the grocery sector in Vroatia in 2004 and 1984 according to the size of the selling surface**




However, even after 2004 the construction of modern large surface shops continued, so that in 2005 a total surface of 440,039 $m^2$ was built for the wholesale and for the retail trade (SLJH 2007, p. 336). Therefore, according to the Global Retail Development Index - *GRDI*), in 2007 the Republic of Croatia was less appropriate (than 2004) as a country into which the world retail companies can expand.

Namely, the world consulting house AT Kearney has been using *GRDI* since 2001 to give annual evaluation of 30 economically most interesting countries in the view of their importance in discovering possibilities for expansion of (retail) trade companies. This evaluation takes into consideration 25 variable for four different factors: economic and political stability, modern selling surface per 1,000 inhabitants (department stores, supermarkets and discount stores), number of already active international trading companies as well as the time pressure to enter the market (ratio between the gross home product and the growth rate of modern selling surfaces). *GRDI* is used to primarily analyze the chances of the world companies in retail trade in the branch of mass consumption goods and food products, which represent the typical predecessors of modern conceptions of retail trade (AT Kearney in der Schweiz, 2008, p.2).

According to this index, in 2007 Croatia was in the 19th place (in 2006 in the ninth, in 2005 in the seventh, and in 2004 in the fifth place). In 2004, only Russia, India, China and Slovenia were positioned higher than the Republic of Croatia. According to these evaluations, the Republic of Croatia could also be entered very quickly (EU-Beitrittsländer sind attraktive Ziele für Handelsunternehmen, 2004).

However, already in 2006 the entire retail market of Eastern Europe was labeled with the “status of the veteran” its retail capacities are said to be filled to their upper limits, and there is only very little space left for newly arrived companies (Hrvatska u maloprodaji uskoro bolja od Slovenije, (*Hrvatska u maloprodaji uskoro bolja od Slovenije*, 2006).

## 7. INSTEAD OF A CONCLUSION

The chosen topic for this international conference has its justification, regarding the advanced processes of internationalization and globalization of the retail trade and the openness of economies in Central and Eastern Europe. In the discovering of certain regularities and patterns in the development of new formats of shops on the international plan, we set out from the further development of concentration in the retail trade. It is suggested that the globalization in the retail trade develops most rapidly in the grocery in which companies act internationally with large surface shops. These include especially hypermarkets, discount stores and convenience stores. The retail market in the Republic of Croatia, as in most other countries in Central and Eastern Europe, has in the past ten years or so been caught in a rash process of globalization, so that by now, regarding the development of large surface shops, it has already reached the stage of maturity. The effects of the internationalization of retail trade on the economy in the Republic of Croatia have been insufficiently analyzed, especially in view of the enormous growth of import and extinction of domestic production. However, the entry of foreign retail chains and concentration of home retail trade have provided the preconditions for the formation of international value chains, into which our staggering domestic production should gradually be included as well.

## BIBLIOGRAPHY:


1. xxx (2007): '400 najvećih hrvatskih tvrtki u 2006. godini', *Privredni vjesnik* (specijalno izdanje), Vol. 54, No. 3500, pp. 1 - 193 (in Croatian und English)

2. xxx (2003): '400 najvećih', *Privredni vjesnik* (specijalno izdanje), Vol. 50, Br. 3312, pp. 23 - 34 (in Croatian and English)

3. Anderer, M. (1997): *Internationalisierung im Einzelhandel,* Frankfurt a.M.: Deutscher Fachverlag GmbH (in German)

4. Anić, I. D.; Vouk, R. (2000): ' Razvojni problemi hrvatske maloprodaje u uvjetima internacionalizacije europske maloprodaje', *Hrvatska gospodarska revija*, Vol. 49, No 1, p. 40 – 52 (in Croatian)

5. xxx (2007): 'AT Kearney in der Scweiz' http://www.arkearney.ch/presse/php/details/49963 [Accesed 15.02.2008] (in German)

6. Berekoven, L. (1990): *Erfolgreiches Einzelhandelsmarketing*, München: Verlag C.H. Beck (in German)

7. Brodowski, D. (2000): 'Globalisierung, *L. K. Wirtschaft/Recht*, 1998/2000, 1 – 7 http://www.brodo.de/german/pub/abi/glob.html [Accesed 10.01.2003] (in German)

8. Bruins, Anne (1990): 'Internationale Kooperation als Konkurrenzstrategie im Einzelhandel', Eine explorative Studie über die Schweiz, in: V. Trommsdorff, ed: *Handelsforschung 1990 – Internationalisierung im Handel*, Wiesbaden: Betriebswirtschaftlicher Verlag Dr. Th. Gabler GmbH, pp. 95 – 106 (in German)

9. xxx (2007): 'CBA – Hrvatski nacionalni trgovački lanac' http://www:cba-zg.hr/ [Acc. 15/02/08]

10. xxx (2005): 'CBA – Hrvatski nacionalni trgovački lanac' http://www:cba-zg.hr/ [Accesed 05.04.2007]

11. xxx (2007): 'Distributivna trgovina', Zagreb: Hrvatska gospodarska komora – Centar za trgovinu http://www.hgk.hr [Accesed 20.11.2007] (in Croatian and English)

12. xxx (2000): 'Einzelhandel im Deutschland'. Immobilienmarkt Research-Marktbericht 6, p. 1-19 http://www.bnkgesellschaft.de/ /70_immo/10_marktinfo/Marktbericht_6.pdf [Accesed 08.01. 2003]

13. xxx (2003) 'Einzelhandelsumsatz, Verkaufsfläche und Flächenproduktivität in europäischen Ländern 2003 http://www.bbr.bund.de/nn_21946/DE/Forschungsprogramme [Acc. 21.02.2008] (in German)

14. xxx (2007): 'Einzelhandel und Globalisierung – Zur Steuerung globaler Wertschöpfungsketten durch deutsche Einzelhandelsunternehmen', http://www.wzb.su/ow/into/projects/retail_globalisation.de.htm [Accesed 14.12. 2007] (in German)

15. xxx (2004): 'EU – Beitrittsländer sind attraktive Ziele für Handelsunternehmen', http://www.atkearney.de/content/presse/pressemitteilungen_archiv_ detail.php/id/49156/year/2004 [Accesed 15.02.2008] (in German)

16. xxx (2007): *Europa-Glossar* http://www.europa.eu/scdplus/glossary/globalisation.de.htm [Accesed 05.05.2007] (in German)

17. Greve, R. (2000): 'Globalisierung der Wirtschaft', *Münstener Diskussionspapiere zum Nonprofit-Sector*, Nr 4, 2000., http://www.dritte-sektor-forschung.de [Accesed 05.05.2007] (in German)

18. Hanf, C. H. and Hanf, J. H. (2004): 'Internationalisierung des Lebensmitteleinzelhandels und dessen Auswirkung auf den Ernährungssektor', Jahrbuch der Österreichischen Gesellschaft für Agrarökonomie, Band 14, S. 87-98, http://www.boku.ac.at/oega/Tagung/2004/04_Hanf.pdf [Acc. 14/02/08] (German)

19. Hansen, Ursula (1990): *Absatz- und Beschaffungsmarketing des Einzelhandels*, Second Edition, Göttingen:Vandenhoeck & Rupprecht (in German)

20. xxx (2006): 'Hrvatska u maloprodaji uskoro bolja od Slovenije', *Poslovni dnevnik* http://www.poslovni.hr/13168.aspx [Accesed 14.02.2008] (in Croatian)

21. http://www.konzum.hr [Accesed 05.04.2007] (in Croatian)

22. http://www.nacional.hr/articles/wiew/17287/ [Accesed 05.04.2007] (in Croatian)

23. xxx (2007):'Informacija o stanju u gospodarstvu na području Osječko-baranjske županije', Osijek: Hrvatska gospodarska komora – Županijska komora Osijek http://www.obz.hr [Accesed 25.02.2008] (in Croatian)

24. xxx (2007): Internationalisierung von Unternehmen http://www.hartling.name/internationalisierung/begriff.html [Accesed 14.12.2007] (in German)

25. Jain, S. C. (1996): *International Marketing Management*, Fifth Edition, Cincinnati, Ohio: South Western College Publishing

26. xxx (2006): 'Izvještaj o prodajnim kapacitetima u trgovini na malo za 2004 - konačni rezultati' http://www.dzs.hr [Accesed 13.02.2006]

27. Knego, N. (1998): 'Moguće ulazne strategije u procesu internacionalizacije maloprodaje', *Ekonomska misao i praksa*, Vol. 7, No 2, 313 – 332 (in Croatian)

28. Kotler, Ph.; Wong, Veronica; Saunders, J.; Armstrong, G. (2003): *Principles of Mareting*, Tenth Edition, Prentice Hall, Croatian Translation, 2006, Zagreb: MATE

29. Lademann, R. P. (2004), 'Betriebstypeninnovationen in stagnierenden Märkten unter Globalisierungsdruck', in H. Ch. Riekhof, ed.(2004): *Retail Business in Deutschland* http://www.dr-lademann-partner.de/index.php?id=service [Accesed 15.02.2008] (in German)

30. Meffert, H. and Althans, J. (1982): *Internationales Marketing*, Stuttgart u.a.: Verlag W. Kohlhammer

31. Meissner, H. G. and Simmet, H. (1990): 'Entwicklungen und Perspektiven des internationalen Einzelhandelsmarketing', in: V. Trommsdorff, ed.: *Handelsforschung 1990*, Wiesbaden: Betriebswirtschaftlicher Verlag Dr. Th. Gabler, pp. 27 – 43 (in German)

32. Peisert, R. (2004): 'Die Wahl internationalen Standorte durch europäische Handelsunternehmen', Lehrstuhl für Betriebswirtschaftslehre, insb. Marketing, Hagen: FernUniversität in Hagen http://www.Fernuni-Hagen.de/MARKETING [Accesed 23.02.2008] (in German)

33. Pietersen, F. and Schrahe, Ch. (2004): 'Internationalisierung im Lebensmitteleinzelhandel'. KPMG Deutsche Treuhand – Gesellschaf http://www.kpmg.de [Accesed 17.07.2007] (in German)

34. xxx (2007) 'Prikaz stanja na tržištu trgovine na malo mješovitom robom, pretežno hranom, pićima i higijenskim proizvodima za domaćinstvo u Republici Hrvatskoj', Zagreb: Agencija za zaštitu tržišnog natjecanja, http://wwwaztn.hr [Accesed 23.02.2008] (in Croatian)

35. Samardžija, Višnja (1994): *Europska Unija i Hrvatska*, Zagreb: Institut za razvoj i međunarodne odnose

36. Segetlija, Z. And Lamza-Maronić, Maja (1999): *Retail Strategy*, Osijek: Ekonomski fakultet u Osijeku

37. Segetlija, Z. (2003): 'Problemi razvoja trgovine na malo u Republici Hrvatskoj', *Ekonomics*, Vol. 10, No. 3, 647 – 662 (in Croatian)

38. Segetlija, Z. (2004): 'Problemi razvoja distribucije u Republici Hrvatskoj', *Ekonomics*, Vol. 11, No. 1, 61 – 77 (in Croatian)

39. Segetlija, Z. (2006): *Distribucija*, Osijek: Ekonomski fakultet u Osijeku (in Croatian)

40. Stamm, A. (2004): 'Wertschöpfungsketten entwicklungspolitisch gestalten', Eschborn: Deutsche Gesellschaft für technische Zusammenarbeit (GTZ) http://www.gtz.de/themen [Acc. 10.07. 2005]

41. xxx (2003): 'Statistički ljetopis 2003', Zagreb: Državni zavod za statistiku http://www.dzs.hr [Accesed 21.05.2004] (in Croatian and English)

42. xxx (2007): 'Statistički ljetopis 2007' (SLJH 2007), Zagreb: Državni zavod za statistiku http://www.dzs.hr [Accesed 21.02.2007] (in Croatian and English)

43. xxx (2007): 'The best 500 – the top 500 Creators of Value Added in Croatia', Zagreb: Lider press

44. Tietz, B. (1990): 'Strategien der Transnationalisierung und Globalisierung im Handel', in: V.Trommsdorff, ed.: *Handelsforschung 1990 – Internationalisierung im Handel*, Wiesbaden: Betriebswirtschaftlicher Verlag Dr. Th. Gabler, pp. 3 – 25 (in German) (a)

45. Tietz, B. (1990): *Euro - Marketing*, Landsberg/Lech: Verlag Moderne Industrie (b)

46. Tietz, B. (1993): *Handelsbetrieb*, Second Edition, München: Verlag Franz Wahlen GmbH (in German)

47. xxx (2008): 'Top 30 Welt 2006' http://www.lznet.de/rankings/handelwelt/pages/show.prl?id=219 [Accesed 21.02.2008] (in German)

48. xxx (2005): 'Ultragros' http://www.ultragros.hr [Accesed 05.04.2007] (in Croatian)

49. xxx (2007): 'Ultragros' http://www.ultragros.hr [Accesed 21.02.2008]

50. xxx (1987): 'Unutrašnja trgovina – kapaciteti prodaje 1984'., Statistički bilten 1620, Beograd: Savezni zavod za statistiku (bivše Jugoslavije)

51. xxx (2007): 'Von der Internationalisierung zur Globalisierung des Unternehmens' http://www.uni-ulm.de [Accesed 14.12.2007]

52. Wortmann, M. (2003): 'Strukturwandel und Globalisierung des deutschen Einzelhandels', WZB – Discusionpapier, http://www.skylla.wz-berlin.de/pdf/2003/iii03-202a.pdg [Accesed 01.10.2004] (in German)