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POSITION AND DEVELOPMENT OF THE FOOD INDEPENDENT TRADE AND ITS PREDICTION ON CZECH MARKET

M. Záboj

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Abstract

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The paper deals with a problem of independent trade in Czech Republic which means small and medium sized retail and wholesale enterprises without capital linkage to big companies abroad. It is especially focused on Czech food sellers trying to compete against transnational companies entering and operating on Czech market. One of possibilities how to face geographically and financially strong subjects is vertical cooperation and creation trade alliances. It means joining individual small and medium sized wholesalers and retailers into one association representing all members. Main advantages of these cooperative structures are lower purchase costs due to common negotiation with suppliers and co-financing of some activities (for example promotion). It is very important to sustain the diversity of retail market because of ensuring and forming competitive environment and offering the miscellaneous forms of retail to final consumers. That is why the main goal of this paper is to find out last changes and contemporary position and structure of the food independent trade alliances with prediction of future development. It is necessary to mention the fact that data is quite difficult to gain for this purpose. There are yearbooks of Czech and Slovak trade where some important information are published namely sales of food trade alliances are used like main indicator to describe and predict their development. A suitable statistic method has to be selected to fulfil the stated goal. Time series and interlay with trend curve seem like the most suitable instrument. In case of individual trade alliances the linear or logarithmic function will be used according to course of sales.

independent trade, retail, trade alliance, cooperation, trend curve, sales, competition

Independent trade is not new term in Czech trade terminology. It is classical form of retail business which however had been pushed out of leading position after 1989, when foreign high integrated trade firms entered the Czech market. There was a progressive reducing of number of independent stores which were not able to compete with low prices and wide assortment of transnational trade chains. Rapid growth of number of new foreign retail firms stagnated on about 2000. Now the situation is quite stabilized and it means new chance for visibility of independent traders.

Developing trends also indicate the changes on preferences of consumers. They rank not only price on the first place but mainly quality and comfort as well during process of choosing of retailer. The sellers try to reduce area of their stores and go over to conception of convenience representing comfort for customer and long opening hours. Gradual development forecasts turning back of customers into stores with friendly and professional staff where they will not have to wait too long at cash-desk and they will be able to buy daily goods in accessible distance from house or job. All this with forms of cooperation represents the possibilities of competition with high integrated chains for independent traders (Záboj, 2004).

Independent trader is doing business under own registration number and tax number and independent trade belongs to group of small and medium sized enterprises. Its importance and market share was reduced significantly on 90-ies of 20th century and it is stabilizing now (Cimler, Zadražilová; 2007).

According to Juračka, Z. (chairman of Union of Czech and Moravian consumer cooperatives) Czech sellers understand better the needs of Czech customers than foreign chains[1]. However Czech experts work even for these chains and it is controversial if it is possible to consider this fact like competitive advantage of the Czech independent traders.

Clustering of smaller trade firms into cooperative structures have become in principle the necessity. Thanks to increasing competition, concentration in structure of trade and even supplying firms and spatial expansion of retail chains the position of smaller companies became worse compared with customers and even suppliers. Relatively faster growth of strong trade companies forces out smaller retail firms but even smaller wholesalers. Cooperation is concentrated mainly on overcome the key competitive factors (volume of goods, common distribution, creating of own retail network). Due to these factors the big trade companies are still more successful (Gilbert, 2003).

The main goal of this contribution is prediction of the role of food independent trade in Czech market which is represents by individual trade alliances.

I: *The biggest Czech trade alliances based on centrally invoiced sales*

Trade alliance	Central invoicing (mil. CZK)							
	2000	2001	2002	2003	2004	2005	2006	2007
COOP centrum	10 830	11 100	11 250	10 873	10 323	9 993	9 841	10 221
Hruška, Ltd	3 960	4 320	5 060	4 550	4 850	5 500	6 000	7 200
COOP Morava, Ltd	3 180	3 960	3 700	3 270	3 225	3 100	3 372	3 300
Flop jih, Ltd	1 650	1 800	2 240	2 650	2 865	2 914	2 982	2 500
VONET CR, Ltd	NA	NA	NA	2 323	2 547	2 307	1 931	1 673
ČEPOS / Bala	2 180	1 900	1 530	1 641	1 856	1 973	2 180	2 500
SVOP	1 810	1 910	1 900	1 847	1 777	1 700	NA	NA
ENAPO, Inc.	1 370	1 610	1 870	1 418	1 418	1 420	1 353	1 300
AFEP	NA	NA	NA	NA	524	629	NA	NA
Spar Šumava, Ltd	NA	NA	NA	521	504	433	418	435
Eso market	610	530	450	297	NA	NA	NA	NA
Šipka	600	NA	NA	NA	NA	NA	NA	NA
TOTAL	26 190	27 130	28 000	31 247	32 041	32 900	31 616	33 072

NA: not available
Source: Yearbooks of Czech and Slovak trade 2005, 2006, 2008

II: *Trade alliances based on centrally invoiced sales – relative changes*

Trade alliance	Relative changes of central invoicing (%)						
	2001	2002	2003	2004	2005	2006	2007
COOP centrum	2,49	1,35	–3,35	–5,06	–3,20	–1,52	3,86
Hruška, Ltd	9,09	17,13	–10,08	6,59	13,40	9,09	20,00
COOP Morava, Ltd	24,53	–6,57	–11,62	–1,38	–3,88	8,77	–2,14
Flop jih, Ltd	9,09	24,44	18,30	8,11	1,71	2,33	–16,16
VONET CR, Ltd	NA	NA	NA	9,64	–9,42	–16,30	–13,36
ČEPOS / Bala	–12,84	–19,47	7,25	13,10	6,30	10,49	14,68
SVOP	5,52	–0,52	–2,79	–3,79	–4,33	NA	NA
ENAPO, Inc.	17,52	16,15	–24,17	0,00	0,14	–4,72	–3,92
AFEP	NA	NA	NA	NA	20,04	NA	NA
Spar Šumava, Ltd	NA	NA	NA	–3,26	–14,09	–3,46	4,07
Eso market	13,11	–15,09	–34,00	NA	NA	NA	NA
TOTAL	3,59	3,21	11,60	2,54	2,68	–3,90	4,61

NA: not available
Source: Original processing based on Tab. I

1 http://www.strategie.cz/scripts/detail.php?id=355113

MATERIALS AND METHODS

Paper deals with just part of independent trade namely food trade alliances and it was used of the methods of scientific work during elaboration. Firstly, the professional literature and other resources were studied in which was found theoretical basis. Secondly, the data was gathered from statistic yearbooks of the Czech trade. Method of time series and subsequent interlay with trend curve was used to find out possible development in the field of independent trade.

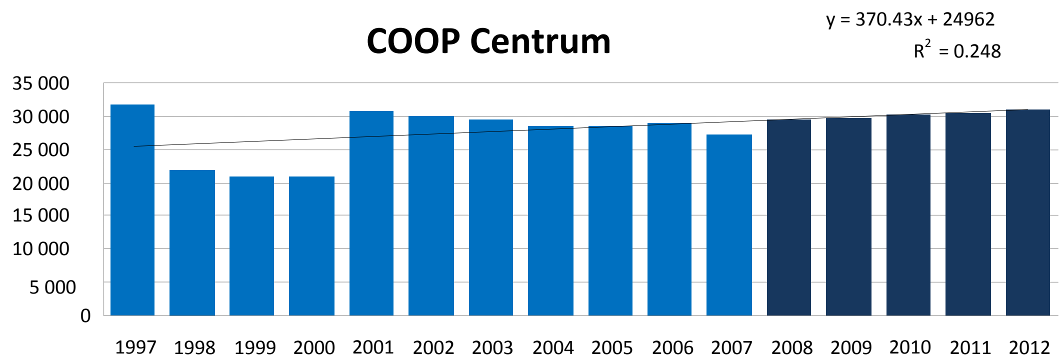
Development in rank of trade alliances on Czech market is illustrated in Tab. I figuring the biggest Czech trade alliances according to centrally invoiced sales in 2000–2007. Relative changes in centrally invoiced sales are stated in Tab. II.

Absolute total central invoicing indicates continual growth except 2006. It is more suitable to illustrate this development in relative formulation through chain indexes. Sizeable percentage grow of total central invoicing was recorded in 2003 against 2002. Main reason was new alliances entering the Czech market.

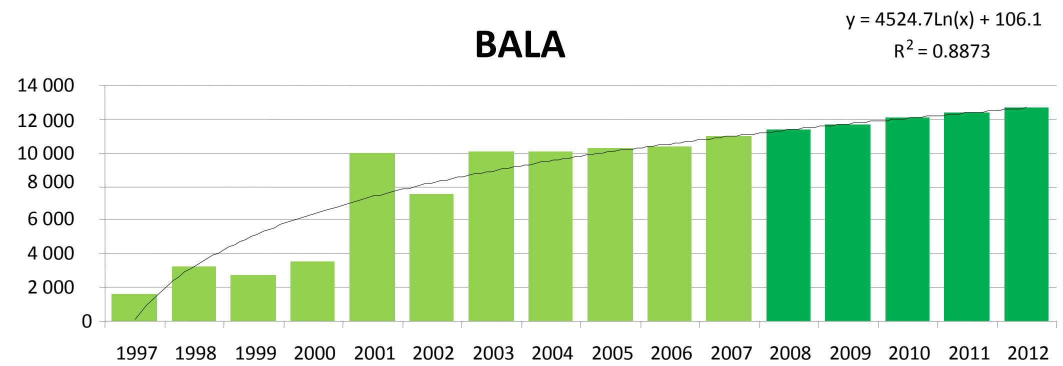
RESULTS

Some alliances have gone down and the others were newly created during given period. The fixed star among trade alliances is COOP Centrum and COOP Morava Ltd. They are the biggest according to total sales and they join together individual chains like COOP Tip and COOP Tempo (created by division of original chain COOP Supermarket), COOP Tuty and COOP Diskont. Next important alliances are BALA Ltd, Hruška, Ltd, VONET CR, Ltd and SVOP. Interesting fact is trend of sales going down in alliances COOP whereas sales of VONET or Hruška are going up. Alliance Brněnka sustain stable level of sales as well as SVOP. ENAPO has recorded decrease of sales in five years period. Fig. 1, fig. 2, fig. 3 and fig. 4 illustrate changes of sales for chosen alliances (COOP Centrum, BALA, Hruška and Brněnka) in all monitoring period (1997–2007), interlay of trend curve and prediction of figures for next five years.

Description of sales development for alliance COOP Centrum and especially the interlay of trend curve is quite complicated (see Fig. 1). At the beginning there are extreme figures which practically



1: *Line and prediction of sales (mil CZK) – alliance COOP centrum*
Source: own processing



2: *Line and prediction of sales (mil CZK) – alliance BALA*
Source: own processing

make impossible equalization of data through suitable trend. After all the linear trend was used even if it describes the real situation insufficiently according to regression coefficient. Estimating figures were stated for five years following after last established piece of information. When downward trend of sales would stop, level of sales could reach almost 31 billion CZK in 2012 which means approximately the same level in 2001.

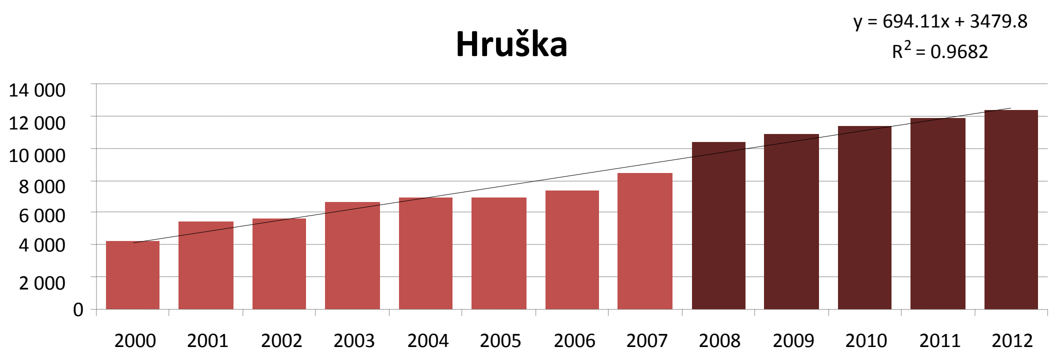
In case of BALA the line of sales is practically still growing (see Fig. 2). Interlay of data through logarithm function was suitable. BALA could be one of the leaders in the field of independent alliances who could threaten and decrease the sales of COOP. It also offers assortment in all Czech regions and market position is quite stable.

Alliance Hruška achieves very dynamic growth of sales (see Fig. 3). The most suitable function was linear to interlay trend of sales development. Market position of this subject seems like thread for alliance COOP but Hruška operates only in several Czech regions (Moravskoslezský, Zlínský, Olomoucký and partly Jihomoravský).

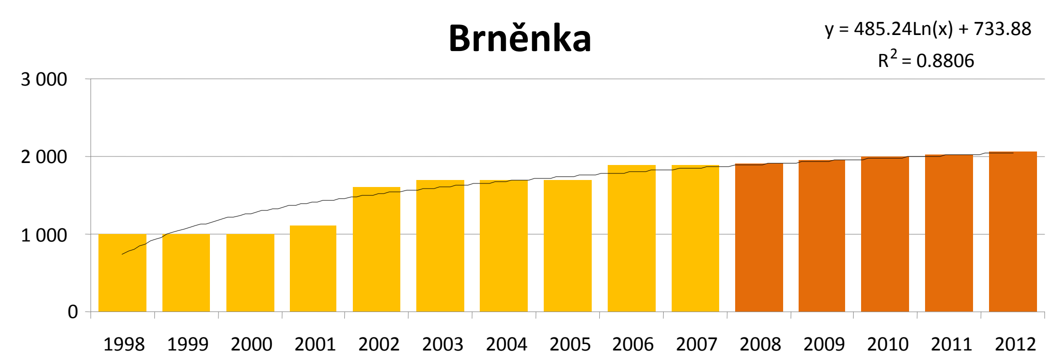
Fig. 4 illustrates levels of sales in trade alliance Brněnka. There are periodical increases of sales but it comes step by step always after several years. The most suitable way to represent this development is logarithmic function. Brněnka evidently cannot threaten position of alliance COOP because it operates only locally namely in Brno and surroundings. However this alliance has regionally very strong position and good image between customers. Representing development begins since 1998 because the data was not available in previous year (note: Brněnka was created in July 1997).

DISCUSSION

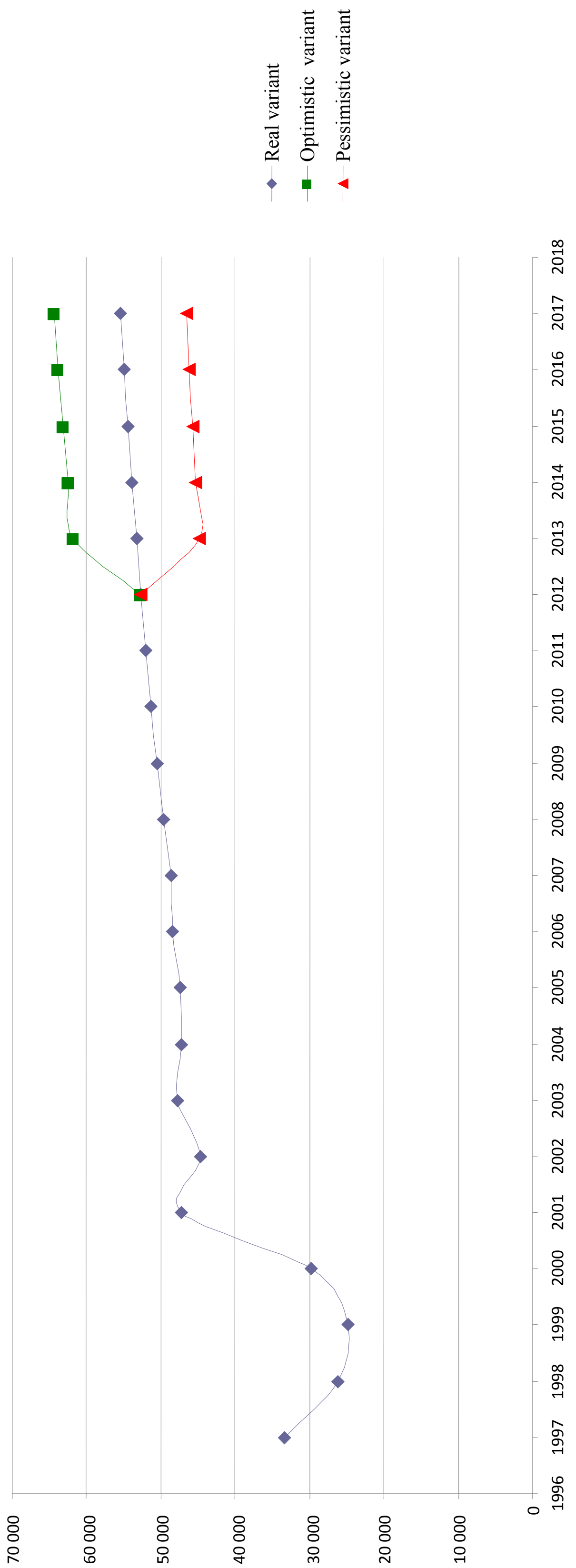
It is possible to conclude that sales are changing in various course in the frame of individual alliances in the food independent trade. So that it is quite difficult to forecast positively future development of the whole branch of independent trade. The most important alliances like COOP Centrum and COOP Morava have recorded decline of sales in the latest years whereas increasing trend is found out in alliances Hruška, BALA or Brněnka.



3: *Line and prediction of sales (mil CZK) – alliance Hruška*
Source: own processing



4: *Line and prediction of sales (mil CZK) – alliance Brněnka*
Source: own processing



5: *Sales development of food independent trade (mil. CZK)*
Source: own processing

Fig. 5 is showing the prediction of possible sales development of food independent trade. The last five years are estimated with optimistic, pessimistic and intermediate (real) variant. The deviation of intermediate variant is 16% which is the largest deviation of forecasting and real sales development in 2001–2007. Deviations were even more than double in previous years but due to extreme first figures in graph neither extreme deviations were not taken to account. The logarithmic function was chosen to interlay the data. It seems like the most suitable instrument to show existing changes and not so rapid growth like trend in the future. Moreover the majority of food trade alliances demonstrate right logarithmic line of sales.

Data concerning independent trade is available only till 2007, so that prediction in shorter time period (five years) contains also data which will be possible to compare with real situation in the nearest time. The next five years are considering from long time perspective and possible development is elaborated. Concretely growth of total sales is showed in Fig. 5 through summation of sales in four given independent alliances (COOP Centrum, Hruška, BALA and Brněnka). The sales should reach 52.7 billion CZK from 48.6 billion CZK in 2007 in period five years. Alternative development of sales is possible since 2012. There will be increasing of sales value up to 64.4 billion CZK with using the optimistic trend till 2018. In case of pessimistic variant the decline of sales in independent alliances will go down to 46.6 billion CZK. Intermediate alternative forecasts gentle growth namely up to 55.5 billion CZK. Market share of the whole independent trade in Czech republic will oscillate probably about 30%, while share of transnational trade chains will be about around 70%.

SUMMARY

The independent trade has recorded a number of changes in Czech republic since 1989. Firstly there was a rapid development and establishment of new Czech retail firms and stores. Then however foreign subjects (mainly retailing companies) newly entering Czech market have gained still stronger position. Due to the enter of transnational chains and growing stronger market competition the range and structure of assortment on offer and services have changed. The shopping atmosphere in retail stores has transformed significantly as well. That is why Czech independent sellers have started to use the cooperative structures to be able more competitive against foreign trade chains.

Nowadays the situation on retail market is stabilizing. Some transnational firms have left the Czech market and remaining retailing chains are trying to offer their products to their customers even in smaller seats where they establish own smaller stores. It represents certain thread for independent traders. However market share of the independent trade should oscillate about 30% in several following years similarly as contemporary portion.

The sales of independent trade alliances have demonstrated various trends of development in given period. However it is possible to say that in sum of sales in all trade alliances the sales should achieve a gentle growth. The real situation in the independent trade will be affected by economic crisis and ability of independent traders to overcome temporarily higher price sensitivity of customers.

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SOUHRN

Postavení a vývoj nezávislého obchodu s potravinami a jeho predikce na českém trhu

Nezávislý obchod prodělal od roku 1989 řadu změn. Nejprve došlo k jeho velkému rozvoji a zakládání nových českých nezávislých prodejen. Postupem času však začaly české firmy přenechávat svoje místo nově vstupujícím zahraničním subjektům, zejména obchodním firmám retailingového typu. I díky vstupu nadnárodních řetězců a sílící konkurenci na trhu se změnila šíře a skladba nabízeného sortimentu a služeb. Také se výrazně proměnila nákupní atmosféra prodejen. Čeští nezávislí obchodníci začali využívat kooperačních struktur, aby byli schopni konkurovat zahraničním obchodním řetězcům.

V současné době se situace na maloobchodním trhu stabilizuje. Došlo k odchodu některých zahraničních řetězců z českého trhu a stávající retailingové subjekty se snaží oslovit zákazníky i v menších sídlech, ve kterých zakládají své menší prodejny. To představuje pro nezávislé obchodníky určitou hrozbu. Tržní podíl nezávislých prodejců by se však v následujících letech měl pohybovat kolem 30%, stejně jako tomu bylo doposud. Tržby nezávislých obchodních aliancí ve sledovaném období vykazovaly rozdílné trendy vývoje, avšak celkově je možné říci, že by v součtu obchodních aliancí měly tržby nadále mírným tempem růst. Skutečný vývoj v oblasti nezávislého obchodu bude ovlivněn stávající ekonomickou krizí a schopností nezávislých obchodníků vypořádat se s dočasně větší cenovou citlivostí zákazníků.

nezávislý obchod, maloobchod, obchodní aliance, kooperace, trendová křivka, tržby, konkurence

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Address

Ing. Marek Záboj, Ph.D., Ústav marketingu a obchodu, Mendelova univerzita v Brně, Zemědělská 1, 613 00 Brno, Česká republika, e-mail: marek@mendelu.cz