THE CONSUMERS PERCEPTION REGARDING THE RETAIL CHAIN EXPANSION IN ROMANIA. CASE STUDY: BIHOR COUNTRY - ROMANIA

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Abstract

One of the Europeean Union policies, with important implications for trade, is the one that concentrate on consumer problems. Consumer policy has to consider a wide variety of problems among which may be mentioned, issues that contribute to the safe conduct of shopping, promoting fair business practices, combat misleading advertising and comparative advertising, the establishment of rules for displaying prices, contractual provisions prohibiting unfair settlement guarantees granted to the sale of products, regulation of distance selling, sold outside the store, etc. In order to observe the consumer perception on the store chain enlargement, we focused our research on the influence of the chain stores expansion on consumers from Bihor Country, Romania. The data base analysed contains information obtayned in the direct and bibliographic research – through applying a questionnaire on 502 consumers. The study verify the validity of the following work hypothesis: Consumers choose supermarkets supply mainly in their own households; Consumers choose supermarkets in detriment of small shops because the diversity of products and smaller prices of products; Consumers are dissatisfied with promotional campaigns conducted by department stores, Consumers are dissatisfied with the proper management of supermarket prices; Consumers are unhappy with the quality of products offered by department stores;

Key words: retail chain expansion, consumer needs, consumer perception

JEL CODE: D12, D18, E21.

Introduction

Based on concerns about consumer safety, the Council and European Parliament adopted, on December 18, 2006, Consumer Program 2007-2013, which constitutes the general framework of consumer policy. The main scope of this programe is to ensure a high level of consumer protection, especialy through better information regarding the situation of consumers, for providing better consultation and better representation of interests through applying the effective consumer protection rules, in particular through cooperation between authorities and organizations responsible for implementation of consumer protection legislation, information, education and dispute resolution. (European Commission, 2007). Also knowledge of consumer markets, the national conditions of use and consumer behavior in the European Union, EU policies contribute to the establishment of better and more effective legislation. Commission obtains information about consumers by monitoring consumer markets and national consumer conditions and studying their behavior. Effective enforcement and consumer product safety is one of the key conditions for a functioning internal market. Thus, companies must comply with common rules and standards and consumers are protected from serious threats and risks that can not tackle as individuals. National authorities play a key role in implementing the legislation, by their market surveillance activities. In addition, they provide the institutional framework in which participants, including authorities, businesses and consumer organizations are involved in the process of compliance. To ensure the highest level of consumer protection, economic operators must ensure that products placed on the market are safe. (European Commision, 2007).

Regarding the authors Igan D. and Suzuki J. (2012), unsaturated markets of Central and Eastern Europe, with reforms planned to improve business environment and economic growth, are particularly attractive for the extension of shop chains. In the early '90s, retailers have entered on these markets. "The number of retail operations in Eastern Europe, owned by Austrian, Belgian, British, Dutch, French, German, Italian companies increased from 28 in 1991 to about 1800 in 2002 ([Alexander and Myers, 1997] and [Dries et al, 2004.]). Meanwhile, household shopping habits have shifted in favor of large retail stores (INCOM Research, 2006). Such developments are seen especially in the Czech Republic, Poland, Hungary, Slovakia and recently in Croatia, Romania, Russia and Ukraine". (Igan, Suzuki, 2012).

The perspective offered by modern trade in emerging markets is also remarked by Suryadarma, (Suryadarma, et al. 2010), wich say that in developed countries, trade competition between the modern and the traditional installed long time ago. According to Suryadarma, large retailers determine negative effects "on traditional trade (Artzi and Stone, 2006) and on the local labor market (Basker, 2005)", while the effects on consumers are better, they benefit from low prices, diversificated offers, new, brands. On the other hand liberalization of markets in developing countries open access to foreign direct investment, which resulted in the expansion of large retail chains by developing economies in Asia, Latin America, Eastern Europe , Africa and Middle East. (Hino, 2010).

In Romania, the big chain stores have appeared since 1991, when was opened the first Carrefour hypermarket in the capital, Bucharest. Today large number of stores reached approximately 1,000 units, unlike developed markets where operates 6,000 units. (Contrast Management Consulting & Training Romania, 2012).

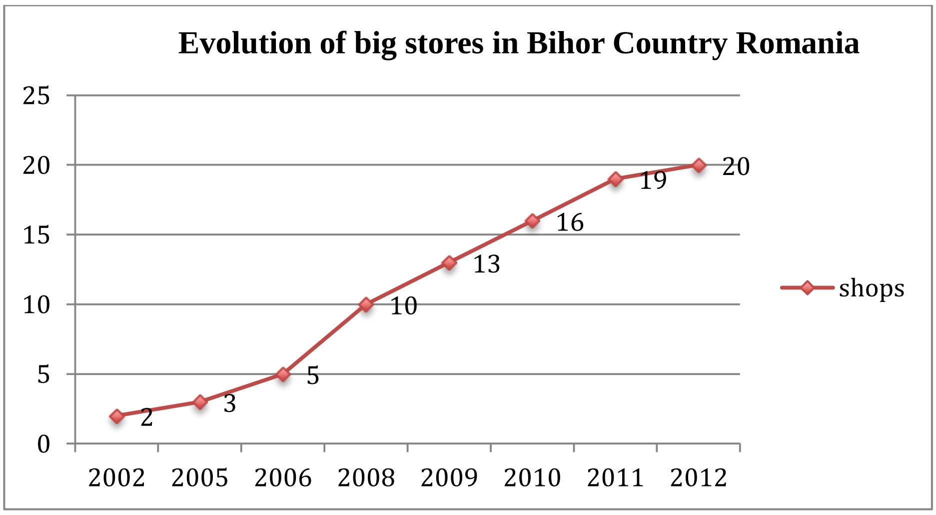
Bihor County, on which has made this study, is part of the northwestern region of Romania, has an area of 7544 km ^{2} and a population of 200,000 inhabitants. In the county of Bihor operates 20 groups of companies through their outlets, as shown in the table below.

Tab.1: Store evidence in Bihor Country, Romania

Nr.crt	Opening year	Store	Number of stores opened	Group
1.	2002	Metro	1	Metro Group
2.	2002	Profi	1	Enterprise Investors
3.	2005	Selgros	1	Rewe
4.	2006	Hypermarket Carrefour	1	Carrefour
5.	2006	Hypermarket Real	1	Metro Group
6.	2008	Discount store Penny Market	2	Rewe
7.	2008	Hypermarket Real	1	Metro Group
8.	2008	Hypermarket Carrefour	1	Carrefour
9.	2008	Supermarket Carrefour	1	Carrefour
10.	2009	Discount store Lidl	1	Lidl&Schwartz
11.	2009	Discount store Penny Market	1	Rewe
12.	2009	Hypermarket Carrefour	1	Carrefour
13.	2010	Billa	1	Rewe
14.	2010	Discount store Penny Market	2	Rewe
15.	2011	Hipermarket Kaufland	1	Lidl&Schwartz
16.	2011	Profi	1	Enterprise Investors
17.	2011	Discount store Penny Market	1	Rewe
18.	2012	Discount store Lidl	1	Lidl&Schwartz

Source: Made by author using datas from retail groups websites

Fig.1: Evolution of big retailers‘ shops în Bihor Country Romania



Source: Made by author using datas from retail groups website

As we can see in the chart above, the number of modern trade stores grew to 20 stores to 2012. According to a study (Contrast Management Consulting & Training Romania, 2012) Romanian retail market is divided into four categories: countries with maximum potential for the retailers' expansion (4 and capital Bucharest), countries with high potential for the expansion of these traders (10), countries with average potential (11) and countries with low potential (15). To determine the potential of a county, have been taken into account several criteria such as: geographical structure, population and purchasing power structure. According to this study, Bihor is classified like an average potential for the international retailers developments country.

2 Research methodology

In order to determine which is the perception of consumers on the extension of the big chain stores, we conducted a study in Bihor county, which want to check the validity of the following hypotheses: H1: Consumers choose supermarkets mainly to supply the own households, H2: Consumers choose supermarkets at the expense of small shops, because the diversity of products and small prices; H3: Consumers are dissatisfied with promotional campaigns conducted by department stores, H4: Consumers are unhappy with the correct management of supermarket prices, H5: Consumers are unhappy with the quality of products delivered by big stores;

Analyzed database contain information obtained through the application of a questionnaire to 550 individuals, and a number of 502 questionnaires were validated. The questionnaire contains a total of 45 closed and open questions. Questions aimed to obtain information on consumer shopping habits, sources of supply in household preferences about goods and services consumed, price and quality preferences, perception of promotional campaigns organized by large stores. The study aims to identify whether consumers have encountered trouble when making purchases from supermarkets, which are these problems, and how they were resolved.

3 Data analysis and results presentation

Respondents were people aged between 20 and 60 years, urban and employment. Analyzing the main sources of supply for the consumers' households, we concluded that the main source of supply is the big shops. Thus, 174 respondents (35%) said they made between 60% and 80% of monthly purchases from supermarkets, the difference of 20%-40% of purchases from traditional stores and food markets, and a rate of 0%-20% of purchasing pare provided by: online shops, stores for organic products, their own households.

In recent years, the number of large stores grew, which has effects on small shops. Consumers are gradually renouncing to shop in traditional stores and prefer to by from large stores. Thus, on the reasons why consumers choose the large stores in the detriment of small shops will say the following:

The study show that 77% of respondents say they choose to shop in large stores because of the diversity of products, 53% of respondents that choose supermarkets because the prices are lower than in traditional stores, 42% of respondents stated that are attracted by promotional campaigns organized by large stores that sold products at promotional prices, 13% of respondents are satisfied that in supermarkets they can study the products, labels, the composition of products composition, make comparisons between similar products and their prices as long as they want, while 9% of respondents believe that making purchases at supermarkets is a means of entertainment.

The large offer range of products at prices lowers than those in traditional stores, frequently promotional campaigns are the main levers of large stores in their action to gain customers. A similar study done by applying a number of 500 questionnaires in place Braga, Portugal, identifies the same reasons underlying the decision to buy from supermarkets. Thus, according to the study, buyers are attracted by low prices of products, the ability to buy all the products in the same location and store appearance. (Farhangmehr M. et al, 2000). As the researchers Reardon and Minten (2010) noted, in the actual stage of the supermarkets development, they are able to offer products at lower prices than those offered by traditional stores due to modernization of purchasing goods flow management. Moreover, 30% of our survey respondents said they are always looking for promotional campaigns, a rate of 17% of respondents declare they are not loyal to brands and will choose products in the same category if those are available at lower prices, while 20% of consumers say that promotions do not influence their purchase decision and do not exceed the shopping list made at home.

We note that the main source of supply for most of the respondents is the large stores. (60% to 100% of household consumption). Although, limited extent, traditional stores remain sources of supply for own households of consumers who shop in traditional stores, 68% say they choose these types of stores because they are located at a short walking distance of their homes, 33% of respondents declare that they occasionally are making shopping from traditional stores, 18% of respondents say they are satisfied with staff attitudes in traditional store who is familiar, 12% of respondents choose to shop in small shops, because they are open and operating at night (non-stop stores), while 8% of respondents say they choose to shop at stores in the neighborhood, because they do not have personal transportation to a supermarket.

Study show that consumers feel good about the quality of products sold through supermarket. Thus, 70% of respondents believe they can find good and very good quality products to supermarkets, while 5% of respondents say they do not pay attention to quality, and choose products with lower prices.

However consumers express some dissatisfaction on how supermarkets operate. These complaints concern the perception of the proper management of the supermarket prices. In that regard, 67% of respondents say they have encountered situations where the shelf price did not correspond with the price to be paid at the cash register, which is higher and the remaining respondents stating that they have met this situation, or met other unpleasant situations. However, only 32% of dissatisfied customers said that in such cases go back to the store to pick up the difference, 13% of dissatisfied customers require a discussion with the store manager to make a complaint, 28% said they used to throw the voucher without checking the prices paid and 27% of respondents said they did not take any action in these kinds of cases. We note that the number of people wich do not taking action against unfair practices of the stores is too small, meaning that consumers don't know their rights. To improve this situation is recommended to educate consumers regarding their rights. The number of complaints is an indicator that highlights how a particular area function, and hel on determine the malfunctions. The Authority for Consumer Protection encourages consumers to not remain indifferent when finds that they were deceived and make complaints.

In the European Commission's strategy: Europe 2020, we see that the EU citizen is the main concern of the European Commission. (European Commission, 2010). EU endeavor for its satisfaction and monitors for this purpose consumer markets through two stages: first stage is to identify, through research "Scoreboard consumer markets", some aspects of consumer markets that are broken in consumer perspective, while the second step, in depth analysis of selected markets to identify key consumer issues and finding solutions to these problems (Directorate General for Health and Consumer, 2012).

Given that consumer spending represents 56% of EU GDP, improving the single market consumers' consumption can have a significant impact on the efficient allocation and will enhance economic growth, in line with the objectives of Europe 2020. However, a better economic allocation can be achieved only if consumption' conditions allows consumers to play a full role in the market and thus stimulate competition and innovation. (European Commission, 2012).

Other complaints indicated that consumers are linked in supermarkets are not found or are found in limited extent, products supplied by local producers, 15% of respondents referring to this. Another 15% of consumers are complaining that products at promotional prices are available on the shelves, they are quickly exhausted and the shelves remain empty. The supermarkets are using sometimes incorrect practices, We believe this practice is also an incorrect practices, actions wich is regulated by unfair commercial practices directive, no. 2005/29/EC of 11 May 2005, referring to the fact that traders are not allowed to organize promotional products that are not available, or are not available in enough quantities.

4 The validity of the hypothesis

We analyze below whether to validate the assumptions made.

Therefore the assumption that consumers choose to supply mainly from supermarkets in their own households is confirmed. Thus our study shows that the main source of supply is the big shopping respondents. Respondents said they made between 60% and 80% of monthly purchases from supermarkets, the difference in 20%-40% of purchases are made from traditional stores and food markets, and for the difference in percentage between 0%-20% of purchases are made from: online stores, shops for organic products, their own households; Assumption that consumers choose supermarkets at the expense of small shops, due to product diversity and low prices is validated. Thus, 77% of respondents said they choose supermarkets because of the diversity of products, while a rate of 52% of respondents say they choose supermarkets because of lower product prices compared with prices paid for the same product in a store neighborhood. Also 42% of consumers decide to purchase based on available promotions. Consumers said that other benefits obtained by buying from supermarkets are: the freedom to choose their own products and the opportunity to study and compare products, prices, products composition (30%), reducing acquisition time necessary for supply own household compared with the time spend to purchase those products from multiple categories of stores (21%), 13% of respondents say they are satisfied that supermarkets have sufficient parking spaces, 11% of respondents choose supermarkets because of extended opening hours, while 5% of respondents, making purchases in supermarkets, is also a means of entertainment, because in most locations they was equipped shops, cafes, playgrounds for children etc.

Assumption that traders are dissatisfied with promotional campaigns carried out by the big stores, is not validated because only 15% of consumers encountering this situation. Of these the main complaint is that which refers on the fact that the promotional price products are not available on the shelves, they are quickly exhausted and the shelves remain empty. Taking into consideration that this promotion is a strategy to attract customers in stores, is also an unfair practice identified in the behavior of large stores with customers.

Assumption that consumers are dissatisfied with the correct management of supermarket prices are validated, so 67% of respondents say they have encountered situations where the shelf price did not correspond with the price paid at cash register.

Assumption that consumers are not dissatisfied with products provided to them by the big stores are not validated. Consumers are in generally satisfied with the quality of products offered by large stores, their dissatisfaction is related to product composition, the regulations regardind the safety of products and how approved products are tested and receive permission to be sold on the market.

Conclusion

After the economic integration, merger of the Romanian economy with the European progresses systematically together with the agreement on, whose main purpose is to eliminate trade barriers. Remove barriers to trade between Romania and the European Union, is now done by revealing enterprises in our country, the opportunities incomparably larger and richer, and threats of more severe competition and of demanding clientele. For large retailers internationalization "is no longer an option, but has become a necessity (Akehurst & Alexander, 1995, p.1.)" (Chaney, Gamble, 2008). At this point, retailers choose to expand internationally by entering on the unsaturated markets to achieve economic growth. Competition of foreign trade and multinational firms entered shy and difficult in Romania compared to other countries, but tends to be significant and represent a real threat to local entrepreneurs in retail. (Patriche, Felea, 2003, p.102). Retail market in Romania is an unsaturated market, Bihor county area is one that assure an average potential development environment for large chain stores. However, the twenty stores from modern trade sector are in competition both with each other and to the 1640 traditional retail stores in the area. This ldetermine them to create sales and attract customers strategies, and others to keep existing customers. This strategies translates into range of products, competitive pricing, customer loyalty campaigns. As shown in this study, efforts are paying supermarkets since 54% of respondents are using supermarkets as the main source of supply (60-100%). Moreover, customers have referred to the diversity of products, lower product prices than in traditional stores, promotional campaigns, as decisive in choosing supermarket as a source of supply. We note that due to low purchasing power, and by the intention to streamline costs, customers choose those shops able to offer the same products at lower prices. This is highlighted by other authors ((N. Sirohi, EW McLaughlin, DR Wittink 1998), which hold up that the "perceived value for money depends on relative price and sales promotion perceived perceptions, and to a lesser extents on quality service and merchandise quality perceptions". The perception of consumers regarding supermarkets expansion is generally good, consumers are satisfied with the diversity of products available on the shelves at lower prices than similar products from traditional stores. However consumers are skeptical about the quality of products and how the government controls these aspects.

Aknowledgment

The study is based on research made in doctoral research project: "The Impact of Economic Integration on Romanian Retail", wich is Financed by POSDRU/88/1.5/S/53501, project named :" Doctoral students and doctoral research in the competitive knowledge society", part of the program "Operational Programme - Human Resources Development", one of the programs financed from European Social Fund in Romania in 2007-2013, managed by the Management Authority of the Ministry of Labour, Family and Social Protection. Value: 4.135.809,15 lei.

Coordinator: University of Oradea, Romania;

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