

RETAIL TRADE SECTOR IN ROMANIA AND IN THE EU CONTEXT

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ABSTRACT: *Retail trade is a dynamic sector that has undergone significant changes in recent decades, both globally and within the European Union. As a Member State, Romania must adhere to European trends and at the same time its retail apparatus must respond to the ever-changing needs and preferences of its consumers. This paper aims, on the one hand, an analysis of this sector in Romania over a period of five years to highlight the evolution of the structure of retail enterprises as well as the main indicators that characterize the retail activity, and on the other hand, a comparative analysis, within the EU member states, showing Romania's contribution to the structure and performance of the European retail sector through relevant indicators regarding demographic statistics of enterprises, but also the input and output related variables of an economic activity.*

KEY WORDS: *retail trade sector, retail business structure, retail performance, retail input variables, consumers.*

JEL CLASSIFICATIONS: *L81, O14, O52.*

1. CONCEPTUALIZATION

In the simplest possible definition retail means the sale of goods individually or in small quantities to consumers (<https://www.collinsdictionary.com/dictionary/english/retail>) or the activity of selling goods to the public, usually in small amounts, for their own use (<https://dictionary.cambridge.org/dictionary/english/retail>). In a broader definition, retail is the structure of the movement of goods that buys goods from wholesale enterprises, directly from producers or other suppliers, which it then resells to consumers or end-users. At the same time, the retail activity represents the most important link of the goods movement, both from an economic and social point of view, due to the direct contact it has with consumers or end users, fulfilling practically an important social function, namely the supply of the population. with consumer goods

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(Chirică, 2009). Given the complexity of the activity carried out in this field, in addition to the economic relations of exchange, the retail trade also presupposes legal relations, banking, provision of services, as well as labor relations. Through such relationships, retail is integrated into the market mechanism, being directly connected to all four components of the global market: the market for goods and services, the capital market, the money market and the labor market (<https://insse.ro/cms/ro/content/buletine-statistica>).

In fact, the overall evolution of the world economy highlights that, all over the world, trade in general and retail trade in particular has gradually become a very dynamic economic sector, with the trading apparatus undergoing profound changes on all fronts: sales methods, forms of distribution, geographical distribution, business management, etc. These were determined by phenomena that can be divided into two categories: some related to the buyer, others generated by the commercial activity itself. As for the influences that come from the buyers, they are generated by the changes in the age structure of the population, in the increase of the purchasing power and in the continuous transformations of the way of life. Regarding the phenomena generated by the goods distribution system itself, it should be emphasized that they can be grouped, in turn, into managerial, material and commercial phenomena.

The managerial aspects consider the emergence of new systems for managing the commercial activity, in all its aspects (relations with suppliers and consumers, location of stocks, location of the network and use of sales forms, etc.). The material plan refers to the promotion of modern technologies for packaging, presentation and display of goods and even for the sale of various products. Commercial phenomena, as a factor influencing future developments in retail trade, aim to move to the widespread application of marketing techniques, conducting various market research and motivation to know and attract customers, improving the presentation of goods, use of design and merchandising techniques etc. (<http://www.mpt.upt.ro/doc/comert/doc/04.pdf>).

The current state of the retail sector will in turn experience changes due to new factors of influence, such as (https://www.eulerhermes.com/ro_RO/stiri-si-analize/):

- Global penetration of e-commerce and mobile commerce that draw consumers away from physical stores.
- Changing consumers' shopping preferences (increasing durability, recycling and proximity to stores).
- The permanent evolution of concept stores and the growth of markets.
- Increase investment in customer data sets, artificial intelligence (AI) and machine learning to boost the customer experience and increase revenue.
- Agility of new entrants and increased pressure from online retailers.
- Trade conflict, as trade barriers / tariffs can disrupt supply chains, increase costs and pressure margins.

2. ANALYSIS OF THE EVOLUTION OF RETAIL TRADE IN ROMANIA IN THE PERIOD 2015-2020

Since the 1990s, the retail trade sector has experienced a dynamic evolution in Romania. In general, the trade sector plays a key role in GDP formation, in the general

dynamics of the labour market, or in the evolution of socio-economic inequalities. This is also true for the Romanian retail trade, which is of vital importance for the overall socio-economic dynamics. Thus, the data show that 15.97% of the total active companies in 2020 belonged to the retail sector, and the number of employees had a share of 11.33% of all employees in the Romanian labour market.

In 2020, retail trade achieved not less than 3.85% of the total gross value added (GVA) obtained in Romania, a share that does not exceed the record value of 5.9% recorded in 2017. Considering the total turnover of enterprises with main activity of industry, construction, trade and market services, the share generated by the retail sector was 16.09% in the same year.

After this overview that proves the socio-economic importance of retail, the study continues with the analysis of the evolution of this sector lately, the availability of data series allowing us to choose either the interval 2015-2020 or 2015-2019.

In Romania, on the website of the National Institute of Statistics, www.insse.ro, enterprise statistics, including those in the retail sector, provide data on the following economic and financial indicators: the number of active enterprises by size classes according to the number of employees; average number of employees; salary expenses; turnover; gross value added at factor cost; the gross result of the exercise; gross investments in tangible goods.

It should be noted that the statistics on retail trade do not include: sales of agricultural products on the peasant market, sales of non-consumer goods (cereals, crude oil, seeds, etc.), sales of food and beverages for consumption on the spot, the sale of motor vehicles, spare parts for them, the sale of motor fuels (https://insse.ro/cms/sites/default/files/field/publicatii/note_metodologice_bslj_2020_7_3_0.pdf).

At the end of 2020, the number of enterprises active in retail trade (Table 1) was 2.53% higher than in the previous year, a situation due exclusively to the increase in the number of enterprises with less than 10 employees, all other categories registering reductions.

Table 1. Evolution of the number of enterprises active in retail trade by size classes according to the number of employees in the period 2015-2020

Size classes \ Year	2015	2016	2017	2018	2019	2020
0-9 employees	94677	93347	95359	95350	93426	96404
10-49 employees	6137	6152	6083	5942	5689	5290
50-249 employees	476	470	519	514	537	498
250 employees and over	81	95	95	97	97	90
Total	101371	100064	102056	101903	99749	102282

Source: <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>

In the case of enterprises with 10-49 employees, the decrease, except only in 2016, was registered throughout the analysed period. The number of enterprises in the size class of 50-249 employees had a fluctuating evolution, with a maximum of 537 in 2019. For large companies, which have the lowest market share (Figure 1), after the

positive developments in the period 2015-2019, the year 2020 brings a quite significant reduction in their number.

Even though there have been changes in the number of enterprises in the retail trade, both in size classes and in total, the share of each size class is, with very small differences, close to the values of 2020. Thus, large companies with more than 250 employees represent only 0.1% of the total, those with 50-249 employees around 0.5%, those with 10-49 employees around 5%, and the overwhelming share, with a value around 94% belong to micro-enterprises with less than 10 employees.

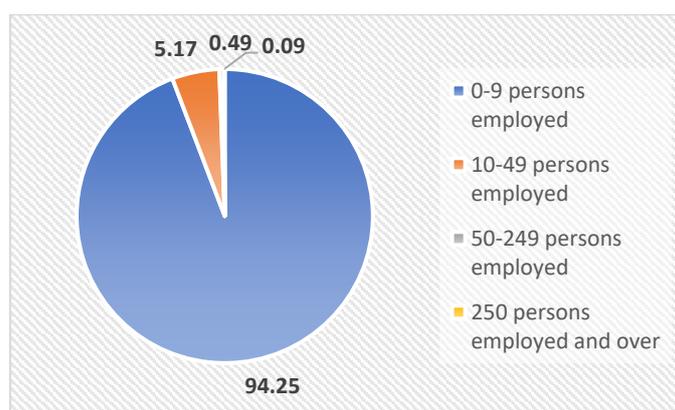


Figure 1. The share of the number of active enterprises by size class according to the number of employees in 2020

For the analysis of the main economic-financial indicators of the retail trade, the availability of the National Institute of Statistics data series allowed us to choose the 2015-2019 interval. Thus, in the case of the average number of employees, after a positive evolution for four years of this indicator, in 2019 compared to the previous year there is a decrease of 1.55% due to the reduction of the total number of enterprises by 2.11%.

Table 2. The evolution of the main economic-financial indicators of the Romanian retail trade in the period 2015-2019

Indicator	Year	2015	2016	2017	2018	2019
Average number of employees		445790	456458	474769	476273	468901
Salary expenses (million RON)		8611.2	10160.2	12060.5	16335.0	18665.6
Turnover (million RON)		169097.1	185793.8	205330.9	233783.9	257584.9
Gross value added at factor cost (million RON)		18519.2	25537.6	26758.7	32792.7	37374.7
Gross profit for the year (million RON)		5242.9	7663.7	7092.5	10298.7	11717.6
Gross investment in tangible goods (million RON)		5698.8	6434.2	7102.8	8244.1	9402.8

Source: <http://statistici.insse.ro:8077/tempo-online/#/pages/tables/insse-table>

In the case of the other economic-financial indicators expressed in nominal terms, with one exception, there is an upward evolution of them (Table 2). In real terms, the gross series indices of each indicator at the end of each year analysed show increases compared to the end of the previous year, explainable by the fact that the highest rate of inflation in the whole range, recorded at the end of 2018, was 4.2 % (<https://insse.ro/cms/ro/content/buletine-statistica>). The exception is the fluctuating trend of gross profit for the year, the value in 2017 being lower than in the previous year, then continuing with a considerable increase of 45.2% in 2018, a year in which, at the level of the national economy, a series of indicators recorded excellent values.

3. ANALYSIS OF ROMANIA'S RETAIL TRADE IN THE EU CONTEXT

Within the EU, as stated in the 2018 European Commission Communication entitled "A European retail sector adapted to the 21st century", a dynamic and competitive retail sector is important for consumers, businesses and therefore for the entire EU economy. The large number of businesses and jobs involved, as well as the contribution to European added value, make the retail sector essential for stimulating long-term growth.

Influenced by evolving consumer needs and technological advances, the sector has been rapidly transformed and is a catalyst for innovation and productivity. EU households spend up to a third of their budgets on goods distributed by retailers. Through the prices, variety and quality of the products offered, the retail sector has an impact on the quality of life of citizens living in the EU. The 3.6 million companies active in the retail sector (mainly SMEs) interact with other economic sectors, such as wholesalers and product manufacturers, as well as with transport, logistics and other business services. A better retail sector will result in positive effects on the economy as a whole (European Commission, 2018).

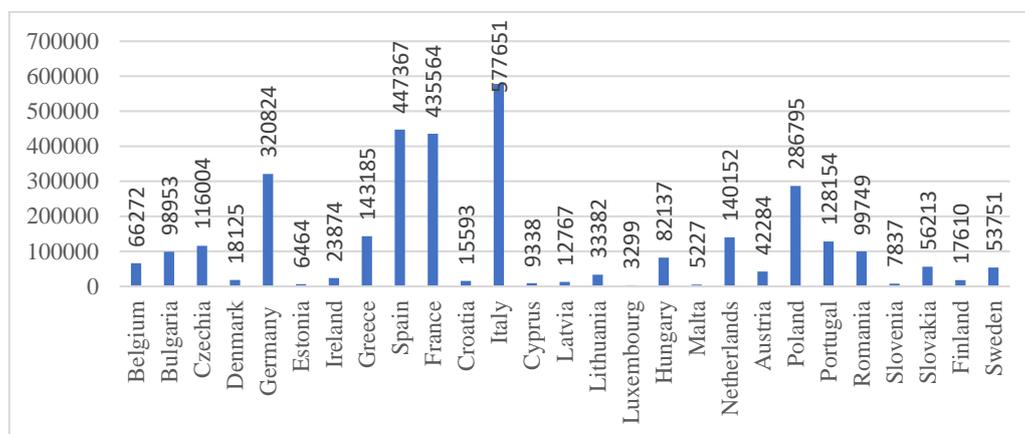
For all sectors of economic activity and implicitly for retail, Eurostat, the statistical office of the European Union, has developed the Structural business statistics (SBS) that describes the structure, conduct and performance of these activities (https://ec.europa.eu/eurostat/cache/metadata/en/sbs_esms.htm). Main characteristics (variables) of the SBS data category are:

- Business Demographic variables (e.g. Number of enterprises)
- "Output related" variables (e.g. Turnover, Value added)
- "Input related" variables: labour input (e.g. Employment, Hours worked); goods and services input (e.g. Total of purchases); capital input (e.g. Gross investment in tangible goods)

Around three out of every five (57.0%) enterprises within the EU's distributive trades sector in 2018 were in the retail trade subsector; most of the remainder were in the wholesale trade subsector (28.9%), while the motor trades subsector had the smallest share (14.2%) of the enterprise population within the distributive trades sector. In terms of turnover, the relative size of the retail and wholesale trade subsectors was reversed, as retail trade generated 29.4% of distributive trades turnover, wholesale trade accounted for a 57.4% share, while motor trades contributed the remaining 13.2%

(https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Distributive_trade_statistics_-_NACE_Rev._2#Size_class_analysis).

As business demographic variable, the number of enterprises in the retail sector in Romania represented 3.09% of the total of 3249456 of the enterprises active in this sector within the EU. Of course, in terms of area of the country as well as the purchasing power of consumers, the network of retail businesses in each EU Member State differs greatly in number (Figure 2). Thus, in 2019, Italy had a number of enterprises 5.79 times higher than in Romania, and in Spain and France their number exceeded about 4.5 times that of Romania. In contrast, other countries such as Slovakia, Sweden, Austria, Hungary or Belgium have a smaller number of such enterprises compared to Romania.



Source: <https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do#>

Figure 2. Number of retail enterprises in EU Member States in 2019

The network of retail enterprises, formed as shown above, in an overwhelming proportion of small and medium enterprises brings together a number of employees in this sector of 464515 people, placing Romania in seventh place after countries such as Italy, France Spain and Germany, but far beyond Greece, Denmark, Austria or Sweden (Table 3). This number represents 3.44% of the total number of employees in the retail sector in the 27 EU Member States, showing once again its importance in increasing employment in the Romanian labor market.

Unfortunately, in terms of the remuneration of workers in this sector, in Romania the expenses of companies with employees' salaries in 2019 amounted to 8344.83 euros per person, well below the European average of 18,929.72 euros. If we refer to Germany, which at the level of all Member States registers the highest value of this indicator, respectively 20677.93 euros, the salary level of an employee in the retail sector in Romania represented only 40.53% of the German employee's earnings.

Taking into account another relevant indicator of this economic activity, we can say that the living standard in Romania, much lower than the one registered in the other Member States, determined that, at the level of 2019, the Romanian enterprises to generate turnover of 46,826.1 million euros, representing only 1.75% of the value recorded at EU-27 level. In the case of this output indicator, countries with a smaller

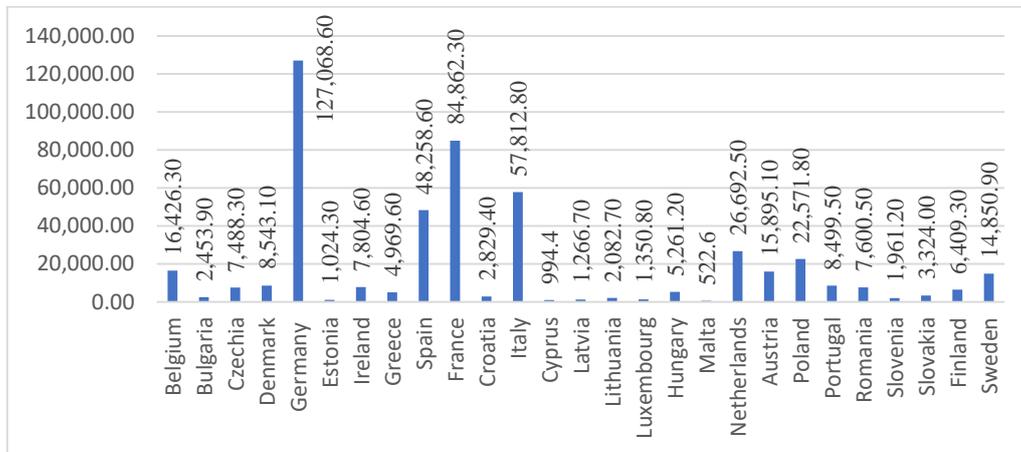
number of enterprises than Romania have a much higher turnover. For example, Sweden, where the number of companies represents 1.65% of the total at EU-27 level, has a turnover of 3.01%. These figures are far from the huge 24.01% share of Germany's turnover, which far exceeds the countries with much larger trade networks in terms of number of companies, such as Spain, Italy and France.

Table 3. The main economic and financial indicators of retail trade in the EU in 2019

Country Indicator	Turnover (million euro)	Value added at factor cost (million euro)	Employees (number)	Salaries (million euro)	Total purchases of goods and services (million euro)	Gross investment in tangible goods (million euro)
EU - 27	2,671,920.5	488,824.8	13,477,095	255,117.7	2,202,522.8	60,329.8
Belgium	87,203.2	16,426.3	264,482	7,585.7	70,734.2	3,195.5
Bulgaria	17,571.6	2,453.9	219,742	1,163.0	15,441.6	395.8
Czechia	47,339.3	7,488.3	247,855	3,173.5	40,297.6	1,139.2
Denmark	44,783.2	8,543.1	235,526	5,804.6	36,897.3	712.5
Germany	642,006.6	127,068.6	3,411,028	70,533.0	522,100.5	13,500.7
Estonia	7,656.9	1,024.3	48,114	553.0	6,826.5	172.9
Ireland	38,625.3	7,804.6	225,984	4,944.0	29,210.4	1,128.6
Greece	43,842.4	4,969.6	304,447	3,157.2	39,628.4	622.7
Spain	245,532.8	48,258.6	1,351,592	24,636.3	201,528.0	5,001.3
France	481,070.1	84,862.3	1,714,872	48,768.6	391,367.0	12,204.0
Croatia	15,274.8	2,829.4	128,036	1,365.4	13,213.5	448.3
Italy	331,767.2	57,812.8	1,165,166	24,163.7	279,598.8	6,210.8
Cyprus	6,103.2	994.4	38,198	547.1	5,202.2	144.8
Latvia	8,087.0	1,266.7	84,359	653.5	6,905.2	232.2
Lithuania	12,743.8	2,082.7	110,379	1,209.4	10,841.5	258.8
Luxembourg	9,117.8	1,350.8	26,268	872.9	7,801.7	246.4
Hungary	33,330.5	5,261.2	263,724	2,441.1	28,192.5	662.2
Malta	3,031.5	522.6	17,040	260.4	2,530.5	61.9
Netherlands	124,464.5	26,692.5	784,146	12,116.3	99,428.9	2,703.7
Austria	73,431.7	15,895.1	346,318	8,793.6	58,364.9	1,544.3
Poland	142,819.2	22,571.8	1,017,843	9,541.9	119,164.8	3,039.1
Portugal	54,268.8	8,499.5	378,285	4,562.7	47,055.2	1,724.5
Romania	46,826.1	7,600.5	464,515	3,876.3	40,254.2	1,867.5
Slovenia	14,152.8	1,961.2	55,351	1,059.4	12,210.1	366.9
Slovakia	21,228.7	3,324.0	142,995	1,497.4	18,097.2	692.9
Finland	39,021.1	6,409.3	142,984	3,720.5	33,054.6	652.1
Sweden	80,620.6	14,850.9	287,846	8,117.0	66,575.5	1,400.2

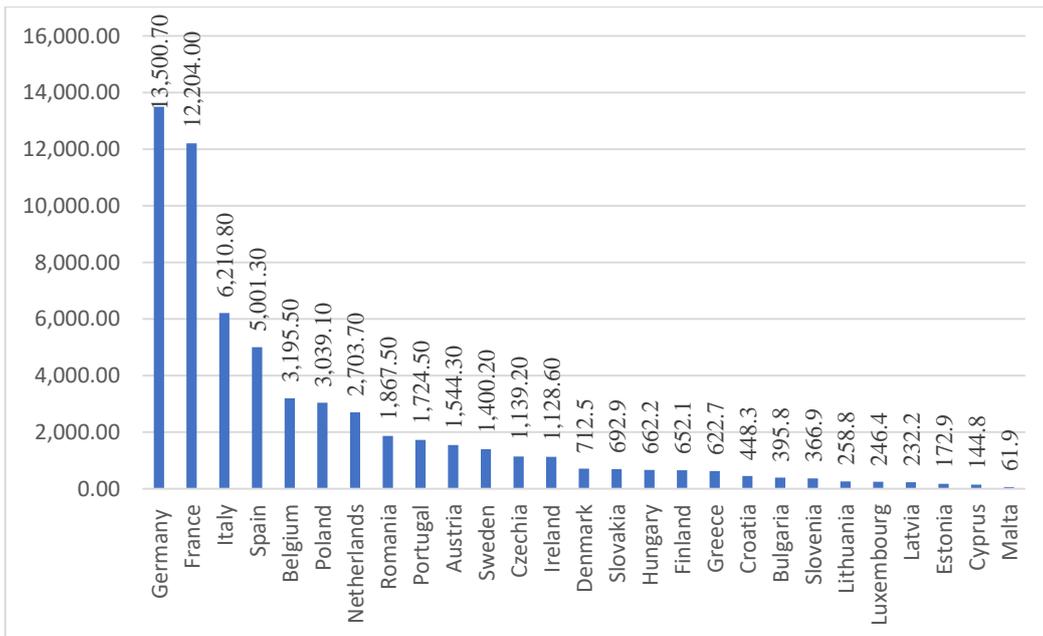
Source: <https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do#>

In 2019, the Romanian retail sector contributed 1.55% to the value added registered at the European Union level. By comparison, Germany contributes 25.99% to value added in the European retail sector and Malta only 0.10% (Figure 3).



Source: <https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do#>

Figure 3. Value added at factor cost by retail enterprises in EU Member States in 2019 (million euro)



Source: <https://appsso.eurostat.ec.europa.eu/nui/submitViewTableAction.do#>

Figure 4. Gross investment in tangible goods of the retail enterprises in EU Member States in 2019 (million euro)

The value of all goods and services purchased during 2019 for resale in retail enterprises in Romania was 40254.2 million euros, representing 1.82% of the total EU-27. In terms of capital input, Romania with a gross investment in tangible goods worth

1867.5 million euros ranked eighth in 2019 in the top of EU member states, which shows the involvement of Romanian enterprises in the development of this sector.

4. CONCLUSIONS

During the last decades, the Romanian retail sector has undergone important transformations, and lately it has had a very dynamic trajectory. The large number of companies and employees, respectively, reflects the importance of the sector in creating jobs in the national economy and increasing employment in the labor market. Also, the analysis of the results of the activity of Romanian retail enterprises showed a continuous increase in the period 2015-2019 both of the value of the turnover and of the gross added value. In the case of this last indicator, the doubling of its value in 2019 compared to the beginning of the analyzed period shows the macroeconomic importance of this sector and its contribution to Romania's GDP. At the national level, the analysis of the trend of gross investments in tangible goods has highlighted an upward evolution and shows that companies in this sector embrace the idea of continuous development and modernization, so that new processes, techniques and technologies meet the growing desires and sophisticated preferences of the customers.

At EU level, the main variables that describe the structure and performance of the retail sector were analyzed to highlight Romania's contribution to European aggregate sizes as well as the differences that separate us from other Member States. Taking into account the different proportions of each Member State in terms of area of the country, the number of inhabitants but also their purchasing power, large gaps could be observed between them in all the indicators analyzed in this study. Countries such as Germany, France, Italy and Spain have a high market share in European retail, and Malta, Cyprus or Luxembourg have very low shares at the opposite end.

The Romanian sector comprises a fairly large number of commercial enterprises, mostly small and medium-sized enterprises, in which operate around 3% of the total number of commercial employees at EU level. However, our analysis shows that the level of their remuneration is below the level of salaries of employees in other Member States. This aspect is not an exception attributed only to this sector, in Romania, on the whole labor market, the salary level being among the lowest in the European Union, which of course is reflected in the purchasing power of Romanian consumers. Therefore, the indicators of results analyzed in the study showed low figures recorded by Romania both in terms of turnover and in terms of gross value added generated by this sector.

The analysis of two other indicators, this time of entry, showed us diametrically opposite directions. If in terms of purchasing goods and services, the Romanian retail sector registers low values, in the case of gross investments in tangible goods Romania exceeds many Member States.

Thus, we can appreciate that Romania is on the right track, and the retail sector can contribute to a greater extent to the overall economic development, but at the same time it is dependent on it. At European level, although the gaps are large, the Romanian sector contributes to the development of retail business, employment growth, turnover and last but not least the gross value added generated.

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