11. Internationalization and the effects of retail development in the Republic of Serbia

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Internationalization and its development effects have been typical trends on the global retail market in the past few years. The trade development, trade revolution and changes in marketing channel have influenced the expansion of large, global retail systems. These systems enter the markets of developing countries and change their structure and the manner of doing business. In the last decade and a half, Serbia has been in transition process; consequently, the changes that have occurred in this period are numerous. From the trade perspective, there were changes in structure and relationships in the marketing channel, retailers have better position in it, they grow, concentrate, expand worldwide, etc. Retailers in Serbia will have to adapt to those changes, because that is the only way to stay competitive with international competitors. Development trend will be more intense, competition and concentration will reach a higher level and only the best retailers will remain on the market. So what is the level of retail development in Serbia right now? Can we compare it to other countries? Of course we can, that is the main aim of this paper. Comparison of retailers in Serbia and the surrounding countries, in the Balkans and other European countries is the main issue in this paper.

Key words: internationalization, marketing channels, retail, Serbia

1. Introduction

Marketing concept is the base of today's business in which consumers are creators of future offer. In addition to this, the marketing channel is changing, new technologies, globalization, internationalization of business, strengthening the position of retailers, etc. Nowadays, modern retailers are the leaders of the channel because they are in daily interaction with consumers. Innovations, globalization and internationalization are the basis of business of big retailers which operate worldwide. Today, big, international retailer is operating in several countries; its own e-shops, m-shops and a lot of different channels for communication with consumers, investments in new technologies and development are the main bases of their business and all this because of profit. Main questions of this paper are: 1.) Are retailers in Serbia leaders of marketing channel? 2.) At what level of development is retailing in Serbia compared to other European countries? 3.) What are positive and what are negative aspects of retail internationalization?

For research and preparation of this paper, there are a lot of papers from different sources, but this one will be unique because quantitative research and comparison with others

will be used. Paper will be organized into four main parts, the first one is theoretical framework of retailers and their position, the second one is going to be introduction to methods and methodology, third part is about problems and results and the fourth, the most important one, is going to be the conclusion. The results will be based on previously presented data, theoretical and quantitative survey of Serbian retailers' position and the future development trends.

2. Literature review

Global availability, internationalization and trade development are the main features of market development in recent decades. A long time ago offer has exceeded demand and because of that, retailer has to think how to beat the competition and be closer to the modern consumer. Consumers' integration with the marketing channel in the long run is one of the basic and unavoidable tasks of the retail (Ristic 2008). Because of this concept, the retailer communicates with consumers, which is essential for the future development. And through the years, they become the leaders of the marketing channel. Retailing is the last stage in a channel of distribution − all of the business and people involved in the physical movement and transfer of ownership of goods and services from producers to consumer (Berman − Evans 2010). Retailers dictate the conditions in the channel and assume the primary role, which leads to the formation of large systems, concentration, cooperation, strong competition and the needs for expansion and integration. Retailing is the key stage of the process of social reproduction of consumer products (Koncar 2015). The position of retail in the marketing channel and its strengthening have been affected by numerous factors which have common denominator in the intense market competition in this sector, as well as quick changes of the information technology; all this has contributed to development of the sophisticated solutions in the field of modern commercial management and marketing (Stankovic 2014). The management of the retail enterprises must think globally, using new strategies and channels for the product placement to the consumer. For now, we will concentrate on the following environmental elements: the behaviour of consumers, the behaviour of competition, the behaviour of supply members (the manufacturers and wholesalers that the retailer buys from), the legal system, the stage of technology, and the socioeconomic nature of society (Dunne − Lusch 2005). The big, international retailers are increasingly taking over smaller ones; they are also taking over other participants in the supply chain. All this has affected the major differences which are present between the developed and underdeveloped retailers, formats,

ways of doing business and the trade development between the countries. Traditional and small retailers are disappearing, and number of retail stores is decreasing each year. Both academic and trade sources suggest that the following elements of retail offer are important in how customers judge one retailer`s offer over another (Varley 2014):

- price;
- product assortment;
- convenient to use/visit;
- service quality.

Consumers are creators of the offer; retailers create business strategy based on their needs and wishes. Price is often considered a surrogate indicator of quality and the consumer often makes judgment on products or indeed on the store as a result of his or her response to the price of merchandise (Cox − Brittain 2000). The development of new electronic channels of communication and placement of products to consumers has an increasingly important impact on the retail development in recent years. Internationalization may not always involve the introduction of state-of-the-art technology, but generally will involve employing technology that is relatively advanced (Gilbert 2003). All big retailers today have at least two channels, the Internet and physical store; they have multichannel retailing concept.

As we have already mentioned, retailers are leaders of the marketing channel. Retail developments in the world and the degree of internationalization are presented in Table 1, where you can observe a clear difference between the income and development between regions. There is a noticeable difference between the developed and developing regions/countries. Thus, in Europe and North America there are more than 70% of retailers from the top 250. It is the same with the revenue: the revenue share of European and American chains exceeds 80% of the total revenue of 250 surveyed companies. But when it comes to internationalization and revenue outside the country, that leading retailers are from Europe, Africa and Latin America. North American companies have less than 15% of the revenues outside the country of domicile, and it is explained by the size of their domestic markets. It's different with European companies, their markets are geographically limited and internationalization is the only way to develop and expand. Targeted countries of these companies are in the process of development and transition, such as Serbia.

Table 1 Profiles and level of globalization by region/country in 2013

	# companies	Average retail revenue (US $ mil)	Share of Top 250 companies	Share of Top 250 revenue	% retail revenue from foreign operations
Top 250	250	17.418$	100.00%	100.00%	24.2%
Africa/Middle East	7	6.384$	2.8%	1.0%	25.1%
Asia/Pacific	55	11.121$	22.0%	14.0%	14.0%
Japan	31	9.835$	12.4%	7.0%	9.4%
Other Asia/Pacific	24	12.782$	9.6%	7.0%	18.9%
Europe	90	18.840$	36.0%	38.9%	38.6%
France	14	29.279$	5.6%	9.4%	43.6%
Germany	17	27.060$	6.8%	10.6%	45.4%
U.K.	14	19.391$	5.6%	6.2%	21.5%
Other Europe	45	12.316$	18.0%	12.7%	-
Latin America	10	7.757$	4.0%	1.8%	22.9%
North America	88	21.108$	35.2%	44.2%	14.7%
U.S.	79	23.108$	31.6%	41.9%	15.4%
Canada	9	11.052$	3.6%	2.3%	-

Source: Deloitte (2014)

Today, we speak about changes in the structure of retail formats - traditional systems are slowly losing importance, and instead new channels are constantly emerging. Traditional formats in 2009 included 42% of facilities in the world, and in 2014, after only 6 years, these formats were represented by only 35%, in line with this, modern formats growth was 7%, so in the past year they accounted for 65% in the total structure (Euromonitor 2015a). With a steady revenue growth, technological innovation, multichannel trade, changes in the structure of the format, the differences in the development of the markets and the internationalization are the main characteristics of market development and improvement.

3. Methods

In order to solve the main problem of this paper, retail position in Serbia, different quantitative and qualitative data and methods are going to be used, mainly based on comparison method. Situation nowadays is not great (when we compare Serbia with western countries), but it is changing everyday and international companies have already brought new ways of business and market competition based on consumers. So comparisons and different overviews of Serbian retail development will give correct result about development stage and necessary future steps.

4. Results

Transitional process and reforms taking place in Serbia did not come overnight; the current situation is the result of years of change and development process. In the last decade of the 20th century in Serbia, numerous and divergent flows had fully reflected the depth of the economic crisis and unresolved problems in the economic system (Lovreta et al. 2013). Trade is one of the activities that were privatized firstly, activity which first started the process of modernization and reform, but the current trends are not satisfactory and did not approximate those in the world. The development of the economy since 2000 is the result of the opening of state borders, privatization of retailers, gradual spill-over of world trends and policies in operations of these market participants. This has resulted in the growth of trade volume. If we concentrate on retail, the retailers have recorded positive revenue growth trend year after year (Figure 1).

Figure 1 Retail revenue in the Republic of Serbia in period 2009–2014 (billion of RSD)

Source: own construction based on http://webrzs.stat.gov.rs
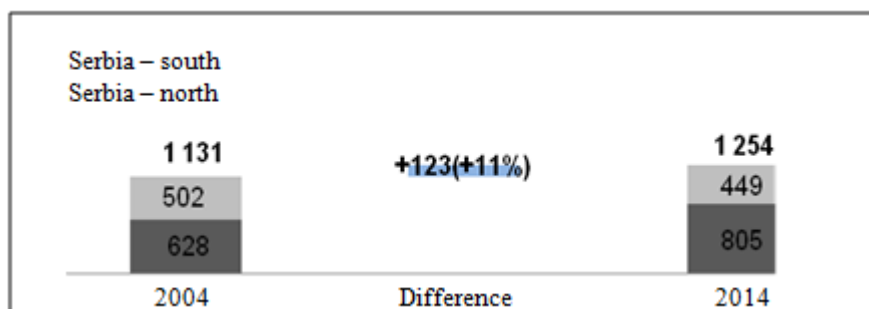
Retailers' revenue has increased by 123 billion dinars, or 11%, and there is a positive trend of development and growth. This is significant due to the fact that turbulence and crisis at the global level did not affect the change of this trend. What is worrying is the extremely marked difference between the retail turnover in the south and in the north of Serbia; in 2014, the north has greater income. The reason for this difference is the issue of decentralization that exists in our country, difference between Belgrade and the rest of the country. We have already noted that one of the basic features of internationalization and development is concentration of the retailers; they are expanding, taking over competitors and other participants in the marketing channel. In our market, there is a positive trend of development. In the period from 2009 to 2014, there was a decrease in the number of retail stores by 16%, or exactly 14,988 (Figure 2).

*Figure 2* Number of retail stores in the Republic of Serbia in period 2009–2014
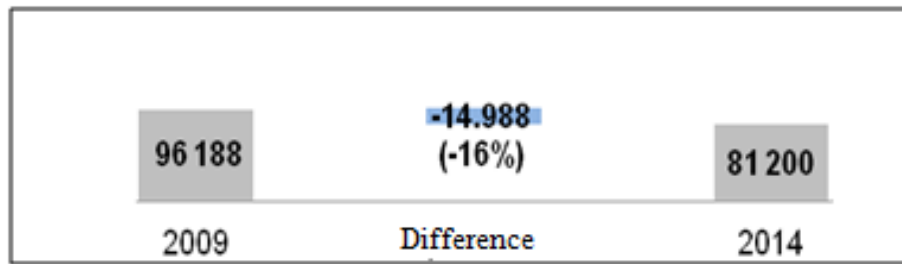
Despite the reduction in the number of facilities and concentration on the market, wholesalers are still leaders of the channels and the ones who dictate the terms in it. The share of retail trade revenue in the Republic of Serbia for 2014 amounts to 32.34%, while wholesale has a stake of 66.98%, thereby expressing its dominant position in relation to retailers, which in developed countries is not the case[1]. Until those facts change, we cannot talk about achieved global trends and level of developed retail. Traditional retailers with small shops which sell basic products are steadily losing its position in most OECD countries (Lovreta 2009). Techniques and technology are progressing and retail development is happening within the store and outside. These changes are the result of developments in technology and trade, as well as changes in consumer behaviour. International retailers entered the Serbian market a few years ago and as a result of that the structure of formats is changing and development is the way to beat the competitors.

There is still a domination of traditional compared to the modern retailers in Serbia (Figure 3). The share of traditional formats in the presented 6-year period has decreased by 9% in favour of modern ones, all as a result of internationalization, concentration, competition and the emergence of multichannel trade in our market. If we recall the relationship of traditional and modern retailers globally, which was 65% in favour of the modern, we can conclude that in our country there is a different trend. In Serbia the ratio is 53% : 47% in favour of the traditional retail formats, but there is a positive downward trend which will continue.

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[1] http://webrzs.stat.gov.rs

Figure 3 Modern vs. traditional grocery retailers in Serbia, in period 2009–2014
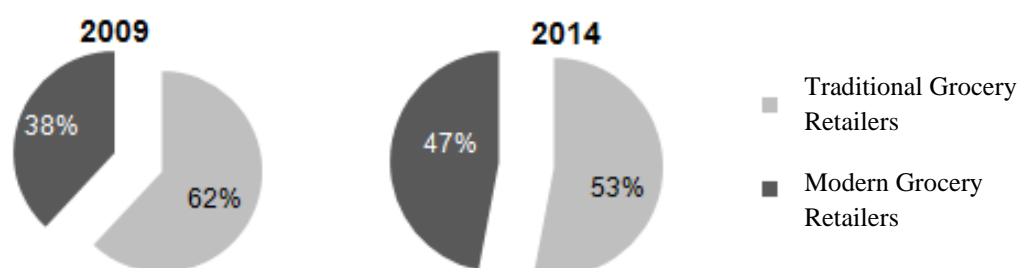
Source: own construction based on Euromonitor (2015b)

Another indicator of (non) development retailing in Serbia is the concentration level and the share of the leading retailers on the market. Concentration is highly expressed in the world - the leading retailers in the most countries hold more than half of the market. The share of the top 10 retailers in Serbia rises from 2009 to 2014 by 18%, reflecting the increase in the share of large international chains (Table 2). The entry of Delhaize and acquisition of Delta Maxi is the largest merger of a foreign and domestic retail chain. Meanwhile, Agrokor took over Slovenia's Mercator and became a leader in Serbia and the whole Balkans. In the past few years, the investments and expansion of domestic retail chains such as DIS, Univerexport and Gomex are highly important. The foreign systems and their internationalization have forced the aforementioned national chains to invest in their business in order to survive in the market and retain their existing positions. Almost all of the top 10 retailers invest a lot of money in e-commerce and the development. New, even more powerful foreign retailers will enter the Serbian market (entering of Carrefour and IKEA has been announced, while Lidl has already started building of the retail stores).

Table 2 Top 10 Serbian retailers share

	2009	2010	2011	2012	2013	2014
Agrokor d.d.	2.8%	3.5%	4.3%	5.0%	4.9%	11.2%
Delhaize Group SA	-	-	8.0%	7.9%	7.8%	7.9%
DIS d.o.o.	-	2.1%	2.4%	2.4%	2.5%	2.7%
Apotekarska ustanova	2.2%	2.4%	2.5%	2.3%	2.2%	2.2%
Univerexport d.o.o.	1.9%	1.6%	1.7%	1.8%	1.7%	1.8%
Tehnomanija d.o.o.	0.3%	0.4%	0.6%	0.6%	0.6%	0.6%
Gomex d.o.o.	0.3%	0.4%	0.5%	0.5%	0.6%	0.6%
ITM Enterprises SA	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Lilly Drogerie d.o.o.	0.3%	0.4%	0.4%	0.4%	0.5%	0.5%
Veropoulos Bros SA	0.9%	0.4%	0.4%	0.4%	0.4%	0.4%
Top 10 retailers	**9.2%**	**11.7%**	**21.3%**	**21.8%**	**21.7%**	**28.4%**

Source: Euromonitor (2015b)

The retail situation in Serbia is still far from the global one and according to all indicators the market is still developing. Number of retail stores is decreasing; there is a concentration and expansion of the existing chains, the entry of new, growth of retail revenues etc. But there are still negative trends: importance of the wholesalers, the relationship between traditional and modern retailers in favour of traditional retailers and low concentration of the top 10 retailers on the market. The second part of the result section will be based on comparison between Serbian retail development and the development of other countries. Firstly, comparison of retail formats, as presented Figure 4.

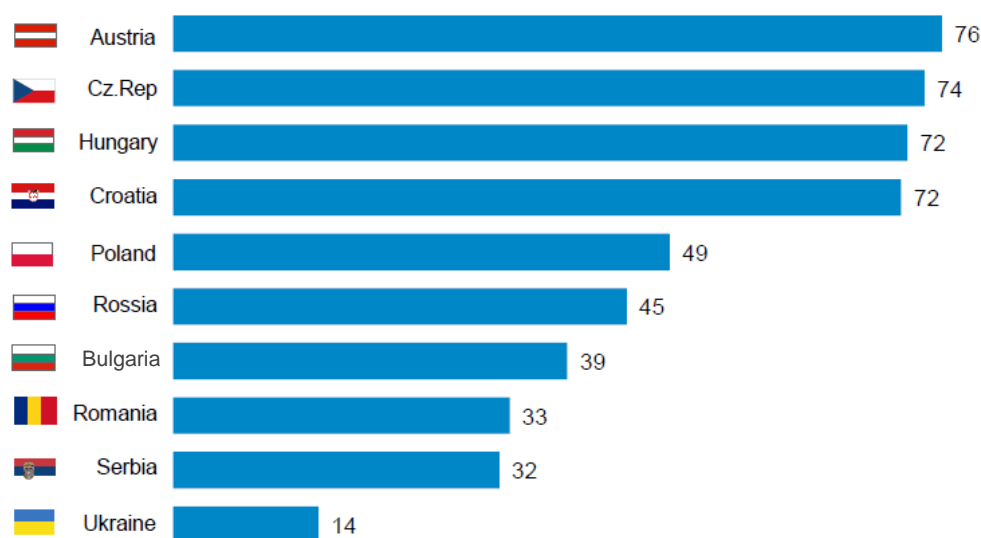*Figure 4* Value share of main outlet types in 2015
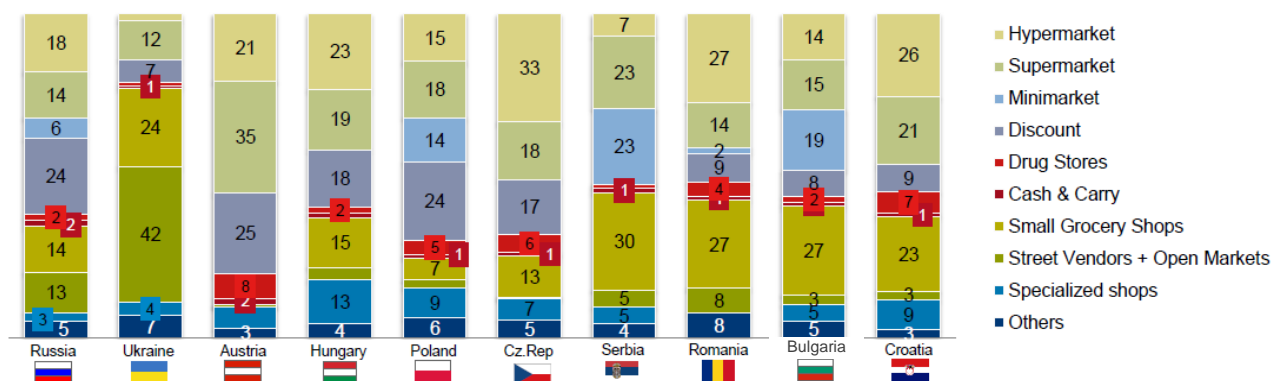
Source: Gfk (2015, p. 24)

Small grocery stores are still the prevailing retail format in Serbia, hyper/supermarkets have only 30% of the share. If we summarize traditional and modern retailers, Ukraine is the country with undeveloped retail market, but Serbia is right after and that is not a good indicator of development. In comparison with countries like Hungary, Romania, Bulgaria, Croatia (Serbian border countries), it is far behind them and it still needs a lot of time and investments to achieve that level of development.

When we compare the share of top 10 retailers in the same countries, it is noticeable that Serbia and Ukraine are the countries which are at the back of the queue (Figure 5). If we compare Gfk share for 2015 with Euromonitor International share for 2014, there is a positive trend of growth; the share of top 10 retailers on Serbian market grows by almost 4%. But this is not enough, we cannot compare retail development in Serbia with countries such as Hungary, Austria, Croatia etc. Countries with similar share are Romania and Bulgaria, but both of them have bigger share of modern vs. traditional retailers.

Figure 5 Value share of top 10 retailers in 2015

Country	Value
Austria	76
Cz.Rep	74
Hungary	72
Croatia	72
Poland	49
Rossia	45
Bulgaria	39
Romania	33
Serbia	32
Ukraine	14

Source: Gfk (2015, p. 26)

The situation in Serbia is far from ideal and far from the one on the global level, but in order to improve it, it is necessary to analyze the current situation, spot the problems and eliminate them. The progress that has been made by entering of the international retailers in the past few years is extremely important and the entry of new, large systems will certainly mean a dizzying new period of development.

It is important to notice that retail internationalization and development have a lot of negative effects on domestic retail system and economy. All international retailers bring with them their own ways of doing business, policies, experience, and most importantly, international products and own suppliers. Certainly this is a very serious problem and a threat to domestic economy. With adequate state policy and development strategies for domestic retailers, these negative aspects of internationalization might be mitigated, but not completely stopped. So it is really interesting to see what will be the next steps of the Serbian government, how are they going to protect the domestic market players? There are different ways and every one of them is based on protection policies for domestic retailers and manufactures (taxes policy, subsidies etc.). However, they are ethical issues, international retailers bring own organization, culture and ways of doing business, which are usually not accepted and employees are suffering the most. All border countries (for example: Hungary, Bulgaria, Slovenia) have developed retail systems and retailer is a leader, owning the whole channel, but they have problems with domestic manufacturers, retailers and employees' conditions. So the logical question is whether the Serbian, slower way, is better or not? On the

one hand, from consumers' perspective, it is not. But on the other hand, from perspective of domestic retailers and manufacturers, it is better - Serbia still has domestic retailers, and it has a chance to protect and to learn from mistakes that other countries have made.

5. Conclusions

The market integration, the flow of goods, the development of technology, the Internet, global accessibility and communication are the basis of trade revolution. The creation of the aforementioned relationship between the retailer and the consumer is essential for retailer to become the leader of the marketing channel. Retailing in Serbia is still lagging behind other markets and it is still undeveloped. The changes that have happened are just the beginning and we should expect faster development in the future. Entering of two foreign retailers (Delhaize and Agrokor) is very important because they brought their experience, technology, ways of doing business and capital. Superiority in strength and capital allowed them to occupy the leading positions on the market. It is necessary that retailers take over the leading role from the wholesalers, that new international systems enter the market and that the existing ones expand. This will result in concentration, merging, reduction in the number of stores, change in the structure of retail formats, disappearance of a large number of small stores, increase in the quality of products and services, investments in equipment and technology, and real competitive struggle on the market. The number of electronic and mobile stores is constantly increasing, but revenues and the importance that these channels achieved are still at a very low level compared with the global results. All this is necessary because now Serbia is far behind the developed countries (wholesalers are the leaders of the channel, share of top 10 retailers is small, number of retail stores is big, traditional retailers are still dominant etc.). Before entering of new chains and further retail development, we should protect domestic economy, domestic retailers and manufacturers. That is a task for Serbian government; they must consider negative effects of internationalization and adopt new laws and policies to protect domestic players. What will happen in the future is hard to tell, but it is important to consider both positive and negative effects of retail internationalization and development.

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