

RECENT TRENDS IN THE FOOD TRADE SECTOR OF HUNGARY, THE EXAMPLE OF THE LAKE BALATON RESORT AREA

A MAGYAR ÉLELMISZER-KERESKEDELEM AKTUÁLIS FOLYAMATAI, A BALATON KIEMELT ÜDÜLŐKÖRZET PÉLDÁJA

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ABSTRACT

Following the political transformation of Hungary fundamental changes took place in the trading sector as a consequence of privatization. The influx of active capital considerably influenced the economy and due to its multiplying effects new enterprise management systems, new work comprehension, new service background were established to help the economy participants.

Chain formation, trade companies and shopping centres having large floor-space moved into the area with their modern equipments and wide commodity assortment, assisted by foreign capital investment. At the same time national retail trade declined, micro enterprises with few employees lost their survival possibilities in the area.

The reply of the food trade sector to the entry of well-capitalized enterprises in the area was that the “chain formation” of smaller retailers became more frequent in the last years in Hungary. This type of transformation made them capable of competing with the big companies.

KEY WORDS: food trade, foreign capital, Lake Balaton Resort Area

ÖSSZEFOGLALÓ

A rendszerváltás utáni években Magyarország kereskedelmében alapvető változásoknak lehettünk tanúi a privatizáció következtében. A hazánkba beáramló működő tőke egy évtized alatt jelentős változást hozott gazdaságunkban, amely jelentős multiplikátor hatásainak köszönhetően új vállalatirányítási rendszereket, új munkaszemléletet, szolgáltatói és pénzügyi hátteret jelentett a gazdaság szereplői számára.

A nagy alapterületen működő kereskedelmi-láncok és bevásárlóközpontok a külső tőkebefektetések révén korszerű felszereltséggel, és megfelelő termékválasztékkal rendelkeztek. Ezzel egy időben beszűkült a hazai kiskereskedelem, teret vesztettek a néhány főt foglalkoztató mikrovállalkozások a térségben.

Az élelmiszer-kereskedelem válasza a tőkeerős kereskedelmi vállalkozások piacra történő belépésére az volt, hogy utóbbi években egyre erőteljesebbé vált az ún. „láncosodás” Magyarországon is. Ez az átalakulás lehetőséget teremtett a kisvállalkozásoknak, hogy felvegyék a versenyt a tőkeerős nagyvállalkozásokkal szemben a kereskedelem területén.

KULCSSZAVAK: élelmiszer-kereskedelem, működő tőke, Balaton Kiemelt Üdülőkörzet

INTRODUCTION

Following the political transformation of Hungary fundamental changes took place in the trading sector as a consequence of privatization. The influx of active capital considerably influenced the economy and due to its multiplying effects new enterprise management systems, new work comprehension, new service background were established to help the economy participants.

Most of enterprises have been formed in two branches of the economy: in the trade and in the catering sectors. Because of the highly seasonal character of tourism at Lake Balaton, a number of enterprises in the two sectors mentioned above show considerable differences in the main season and in the other parts of the year.

In the period between May and December 2005 a representative survey was carried out using 186 questionnaires sent to the small and medium sized enterprises (SMEs) active in the Lake Balaton Resort Area (LBRA). Based on the obtained data, the number, size, type and distribution of the active enterprises in retail trade could be determined. The distribution of problems connected with decisions in the retail trade of the food sector as well as the influences of the presence of multinational big trade companies on the turnover of smaller enterprises were also investigated.

Our hypothesis is that previous year investment has an effect on the turnover of retail trade in the area, but a close correlation can only be observed at the micro-enterprises. We tested this hypothesis on enterprises of various sizes using linear regressions analysis.

Chain formation, trade companies and shopping centres having large floor spaces moved in the area with their modern equipments and wide commodity assortment, assisted by foreign capital investment. At the same time national retail trade declined, micro enterprises with few employees lost their survival possibilities in the area.

The reply of the food trade sector to the entry of well-capitalized enterprises into the area was that the “chain formation” of smaller retailers became more frequent in the last years in Hungary. This type of transformation made them capable of competing with the big companies.

AIMS AND METHODS

As a starting point of the research we made a survey on the development of foreign trade of Hungary in the last years including the analysis of the share of retail trade. Retail trade plays an important role in the rural economy, since multinational firms and supermarkets invest only, when the market is big enough. In rural areas with small market capacity small and medium size enterprises may find their place either as individual private businesses or forming a chain.

Hungarian agriculture was mentioned earlier to be the “granary of Europe”. This agriculture became disintegrated by the privatization processes in the ‘90s. Because of the consequence of globalization the influx of active capital gained more and more ground, and this had a significant effect also on the trade sector. That is why we investigate those processes after the political transformation following the privatization process, which have led to the spread of SMEs and later to the concentration of trade.

Similarly to the national and international tendencies the number of employees in agriculture declined also in the LBRA, where our case study was carried out. At the same time the importance of the trade and service sector (including retail trade and tourism) is increasing and these create alternative income for the local inhabitants. Employees dismissed from the first sector are concerned in this, since this is nearly the only possibility for them to earn their living. As regards retail trade volume, it can be mentioned, that inhabitants are not only employees or entrepreneurs, but they form also the consumers, ensuring the continuous solvent demand throughout the year.

Furthermore we investigate also those factors (e.g. the appearance of food trade chains) which influence the number and composition of enterprises active in retail trade. Also an investigation will be done to see if micro- and small enterprises are able to keep their independent positions or even improve it.

We estimated Hungary’s foreign trade based on commerce with states within and out of the European Union. The values of import were expressed in c.i.f. parity, that of

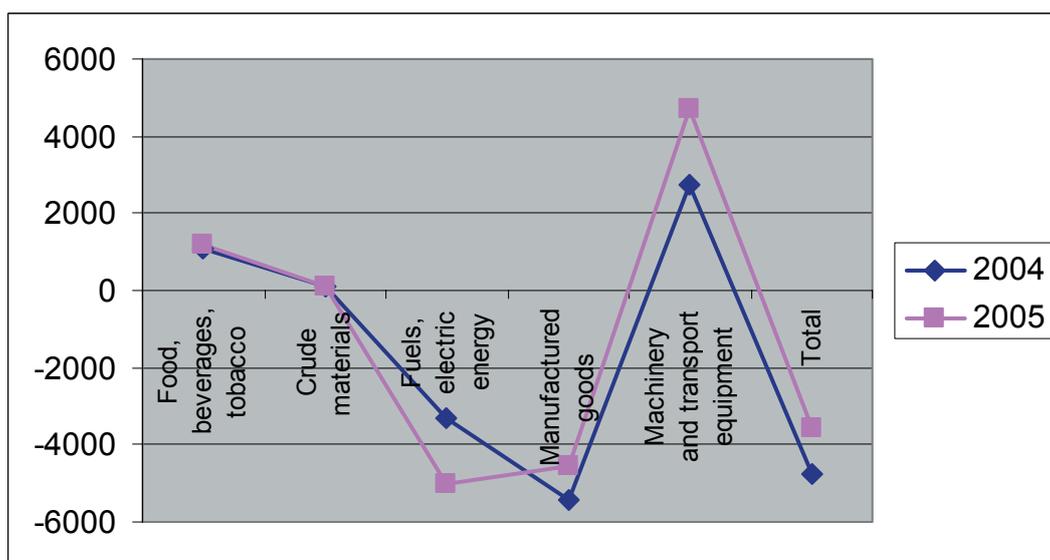
C.i.f.: the market value of import goods at the Hungarian border, including the transport- and insurance costs. F.o.b.: the market value of export goods at the Hungarian border, including the transport- and insurance costs.

EU-15: Austria, Belgium, Denmark, Finland, France, Greece, The Netherlands, Ireland, Luxembourg, Great-Britain, Germany, Italy, Portugal, Spain, Sweden; new EU members: Cyprus, Czech Republic, Estonia, Poland, Latvia, Lithuania, Malta, Slovakia, Slovenia; EU-25: the two former group together.

Table 1.: The foreign trade of Hungary (in million dollars, current price)

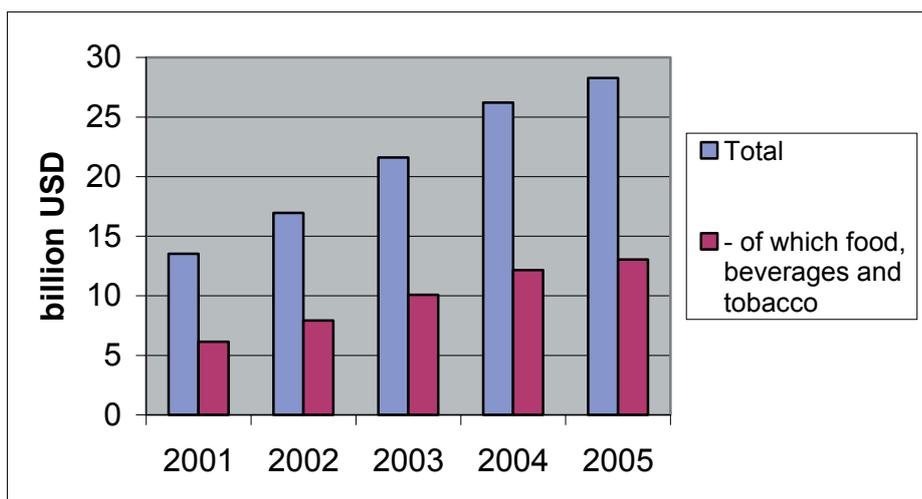
	2001	2002	2003	2004	2005
Import	33681,9	37611,8	47675,0	60249,1	65435,3
- food, beverages, tobacco	981	1132,9	1459,8	2220,5	2592,3
Export	30497,8	34336,6	43007,7	55468,7	61861,1
- food, beverages, tobacco	2289,9	2337,3	2805,7	3324,2	3772,2
Balance	-3184,1	-3275,2	-4667,3	-4780,4	-3574,2
- food, beverages, tobacco	1308,9	1204,5	1345,9	1103,7	1179,9

Source: KSH/18/



(Source: KSH)

Fig. 1.: Trade balance of Hungary in 2004 and 2005 (million dollar)



Source: KSH /18/

Fig. 2.: Retail trade in Hungary (billion dollar, current price)

Table 2.: The number of enterprises in food trade sector in 2005

Types of stores	Hungary	County Zala	County Veszprém	County Somogy	LBRA
Food, beverages, tobacco	33838	1176	1365	1564	1459
Vegetable and fruits	3324	63	84	113	144
Meat and meat specialities	2989	79	74	104	91
Meat and fish specialities	220	2	2	12	10
Bread, bakery and confectionery	2463	58	95	108	91

Source: own calculation based on data from KSH /19/



Fig. 3.: The location of LBRA

export in f.o.b. parity¹. The investigated country groups are: EU-15, new EU members, and EU-25¹.

Difference of export and import will be considered as balance of foreign trade. We used data of KSH (Central Statistical Bureau of Hungary), the time span of the secondary data includes the period of 2001 to 2005. In the present research retail trade shops are shops that are sale places established, for long term uses, selling goods mainly for the local inhabitants, and are opened permanently or temporary.

The place of the empirical research is the „Balaton Region”, including settlements from three counties. Associations of counties Somogy, Zala and Veszprém consist the LBRA. This resort area of 164 settlements has 25.000 enterprises.

Based on Act CXII of the year 2000 (Country Planning Regulation of LBRA), the investigated area was divided into subregions and statistical microregions (SMRs). We defined 3 subregions, within these 7 SMRs. It was necessary to form subregions and SMRs, because the official statistical small regions do not cover the whole LBRA.

A representative survey was made using deep interviews and issue of 186 questionnaires. The rate of investigated enterprises in relation to the whole number of them was 2,64 %. The investigation lasted from May to December 2005. The number and distribution of enterprises in the methodological microregions were also considered during the sample selection. The sampling was proportional between the settlements by the shore and away from the shore. Also enterprises of the towns and of villages were

investigated separately. 13 towns are located in the area, 10 of them are on the shore. The 151 smaller settlements differ from each other not only in their size, but also in their popularity and in size of their enterprises (1).

For the elaboration and evaluating of the data we used MS Excel and SPSS 9.0.

DEVELOPMENT OF TRADE IN HUNGARY

Hungary's foreign trade balance was negative in the last years (Table 1), but behind the commodity group "machinery and transport equipments", the commodity group "food, beverages and tobacco" has the second biggest positive trade balance in value (Fig. 1). Among the ten countries having joined to the EU in 2004, Hungary is the only one, where the value of agricultural export is bigger than that of import. After the EU accession this advantage decreased a bit for some months, but newly – partly as a result of continuous food quality controls – seems to be stabilized.

The export volume of manufactured goods – which amounts to a third of foreign trade – increased 11 % (that is 2,1 billion dollars), the import also increased 3 % (1,2 billion dollars) from 2004 to 2005. In case of food, beverages and tobacco – which belongs to the sector we investigated – the increase of export and import volume exceeded 12 % (that is 448 and 372 million dollars increase) in 2005 against 2004. Within the agricultural export grain export value increased nearly by one third, and sugar export by 40 %. As regards meat and meat products: their import value increased by more than half of the earlier value, import of milk products and

of eggs became 40 % higher than in the previous year. These changes considerably influenced the food trade of Hungary.

Changes in the retail trade in Europe and in Hungary

The network of shops is more concentrated in North Europe than in Hungary, the bigger part of the turnover takes place in bigger floor-space shops and supermarkets. Although the number and turnover of bigger retail shops is increasing also in our country, still our shopping „network” consists of much smaller enterprises with fewer customers per shop (a considerable part of enterprises is working in the trading sector, the fluctuation here is relatively great). A comparison is however not free of problems – thinking of the changing prices. However it is evident that – despite a number of typical Hungarian peculiarities – similar changes can be observed anywhere in the world, only their speed or degree may differ from the average. (An interesting feature worth mentioning is, that the data observation unit in the Hungarian retail trade is not the enterprise, but the shop. This is connected very probably with the fact, that most of enterprises possess just a single shop) (2).

INFLUX OF CAPITAL TO HUNGARY AND TO THE BALATON AREA

Hungary was one of the first among the former socialist countries which opened its economy for foreign direct capital influx in 1989. Radical transformation of the ownership structure commenced with the so called “spontaneous privatization”. In the first part of the 90's

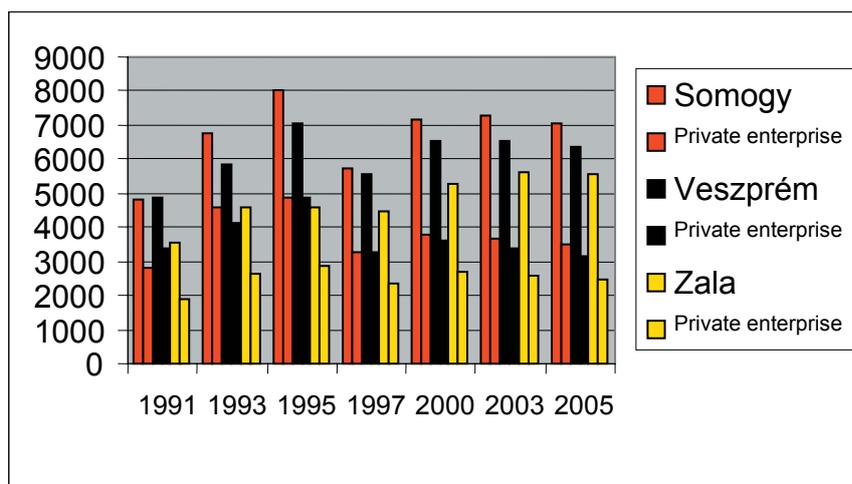


Fig. 4.: The number of retail trade enterprises in the three counties

- it was the first wave of investment - the main attractive force for investment was the cheap labour.

Globalization is a historical process, which reconstructs social relations and transactions in such a way, that by this, continent-covering networks of interactions and powers come into existence” (3).

For the sake of capital influx the government renounced a part of tax- and VAT-incomes and future tax incomes, therefore fiscal stimulation played an important role in the choice of location of multinational firms. Activities of low added value and wage work dominated the processing industry. At that time foreign capital could not be satisfactorily embedded into the Hungarian economy, the increase was generated by the separately operating multinational firms. Hungarian SMEs did not play a role as delivers for the multis at that time. Also today multis invest mainly in Budapest and its vicinity (60 % of the capital stock is there). Some counties have got less than 1 % of the total capital stock in the country.

Regional disparities are still growing. The relatively better developed infrastructure has attracted investments in the central and western regions. Cheaper manpower capacities of the underdeveloped regions may attract more labour-intensive technologies and production phases.

Rate of inland private ownership became also amplified simultaneously, while that of the state decreased. The preference of foreign large and medium sized companies cannot be maintained for a long period. On the other hand we have to take into consideration that our micro- and small enterprises can only be successful actors in the European market by the strengthening of inland production and sale cooperations and by intermediates. It is important to strengthen the medium sized enterprises, because these are the ones capable of forming production- and selling integrations (4).

“The accumulation and provision of capital is considered as insufficient at all points of production, processing and trade chains in the food industry.”(5).

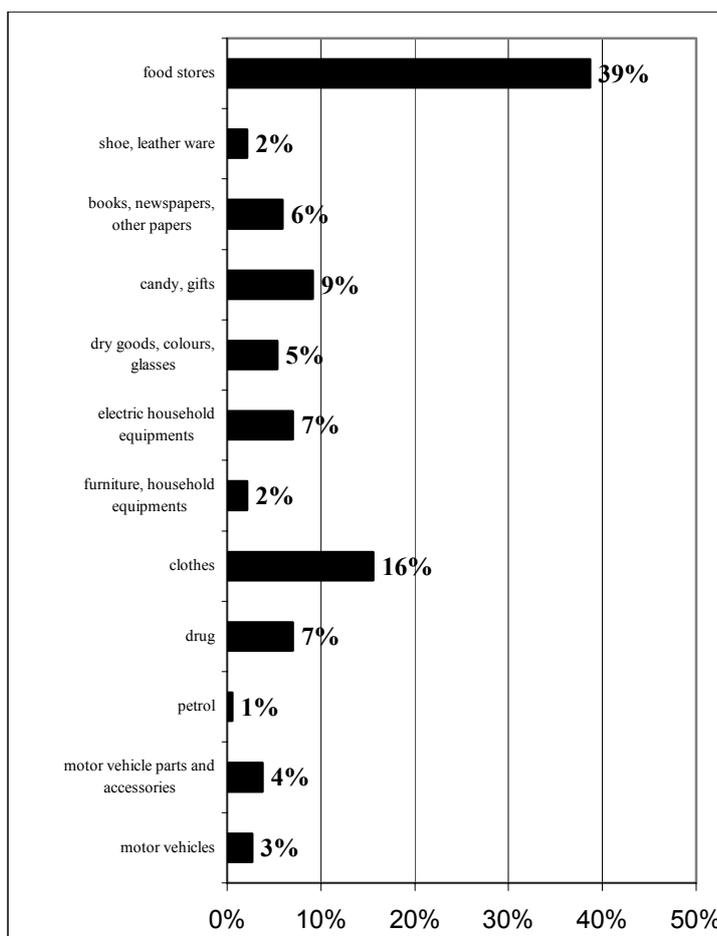


Fig. 5.: The activity of retail trade enterprises in LBRA in 2005

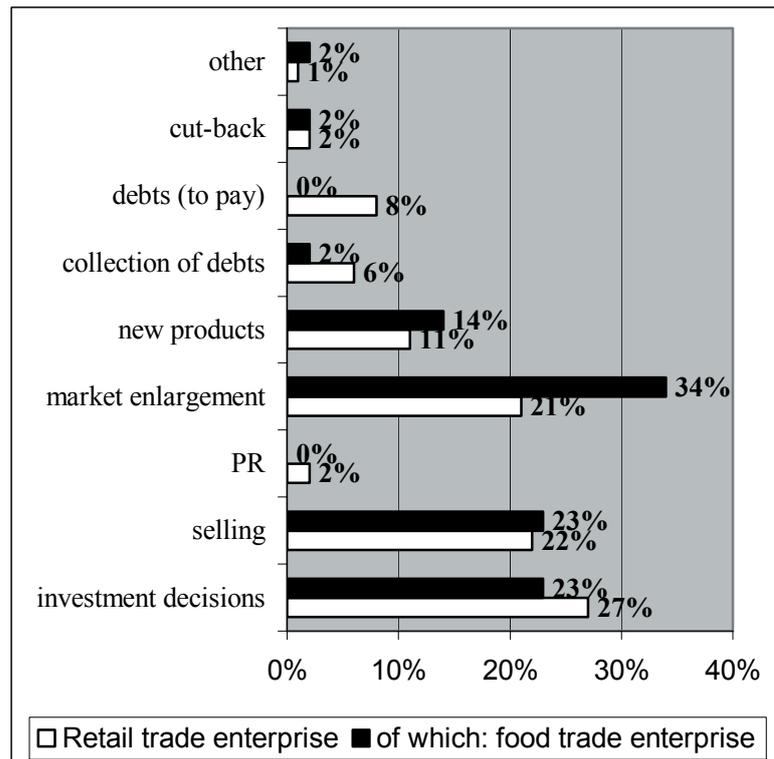


Fig. 6.: Problems in the decision-making of retail trade enterprises and food trade enterprises in LBRA, 2005

Investments of foreign companies into the food industry were motivated mainly by the favourable infrastructure, secure legal situation and cheap qualified manpower. Reintegration of food industry into the EU is practically terminated. Investors settled down for long period. SMEs of the private sector are more vulnerable on the market, while multinationals have long-term experience to enforce their interests in the European economic policy, the smaller enterprises started to do it only in the last period.

The trade sector undertakes the smallest part of costs in the production; but still this sector gains a significant part of profit. The multinational firms abuse their power and superiority, and because they have a very big share in the food trade sector, they can further strengthen their positions. Against this, the union of producers could be a tool. Their negotiating power can be strengthened if the union is in the form of vertical integration (6).

The fast increase in the number of the SMEs is due to the loss of employment possibilities, the inclination and resources of vocationally trained workers to establish their own business including family traditions, the desire to achieve tax reduction and income maximisation, and higher incomes (7).

Following the liberalizing laws concerning foreign investments, the interest of foreign capital increased to the direction of Balaton Area. Nearly 6 from 10 foreign enterprises are concentrated to 8 towns and 2 villages, while 80 % of all investments have fallen to 10 settlements (half of them are towns, the other half villages). According to the data of 1996 the town Keszthely was the first with regard to the subscribed capital (8).

The ratio of foreign capital within the sum of subscribed capital increased from 30 % to 41 % during 1996 to 2001 in the investigated area. In 2005, the share of investments in the LBRA was approximately 26 % of the total investments directed to foreign trade. This decline can be explained partly by the fact that the market is saturated here; otherwise this area is the only contiguous rural innovation holding area of Hungary, which has considerable structural problems. We know the territorial inequalities of the area, since the settlements of the shore have better infrastructure than the others, and this is an important view-point of the active capital influx.

PECULIARITIES OF THE INVESTIGATED AREA

Tourism in the Balaton area

The growth of mass tourism has led to increased demand for research on this topic. Research has focused on two directions: the first one being the reasons and significance of tourism discussed from the viewpoint of the tourists, the second one the social and cultural effects of tourism (9).

Within the anthropology Nunetz (10) and Duggan (11) have dealt with changing processes between different cultures, while Pierce (12) with changes within the host

communities, and both have dealt with cultures insulated by certain points of view. Important research work were done on the field of sociology, beside analyzing the systems of tourism, specifying characters of tourists, their motivations, attitudes, as well as on the social-cultural effects of tourism.

Modern tourism came into existence in the Lake Balaton area hardly more than 200 years ago, parallel to the expansion of industrialization and urbanization. In the

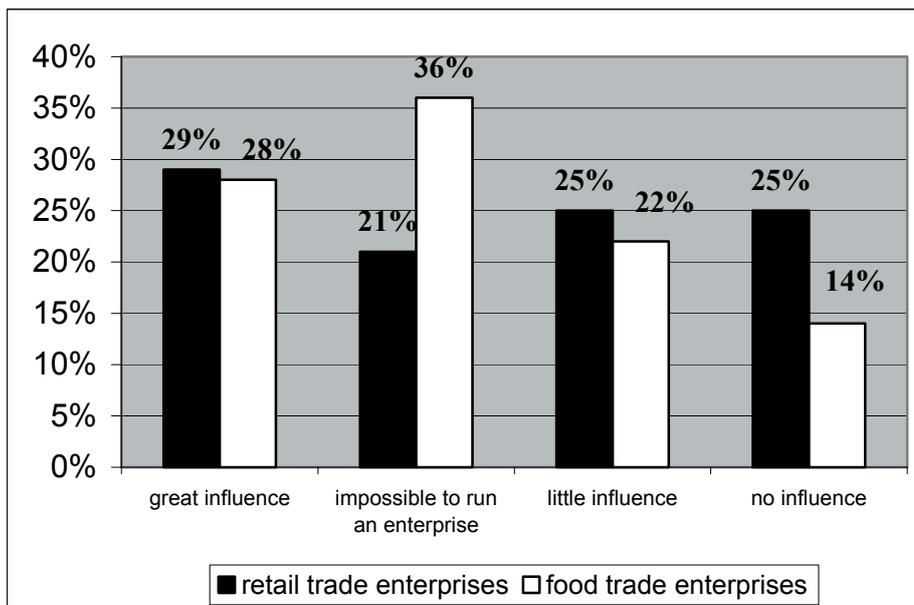


Fig. 7.: The influence of multinational companies on the turnover of small sized enterprises in LBRA, 2005

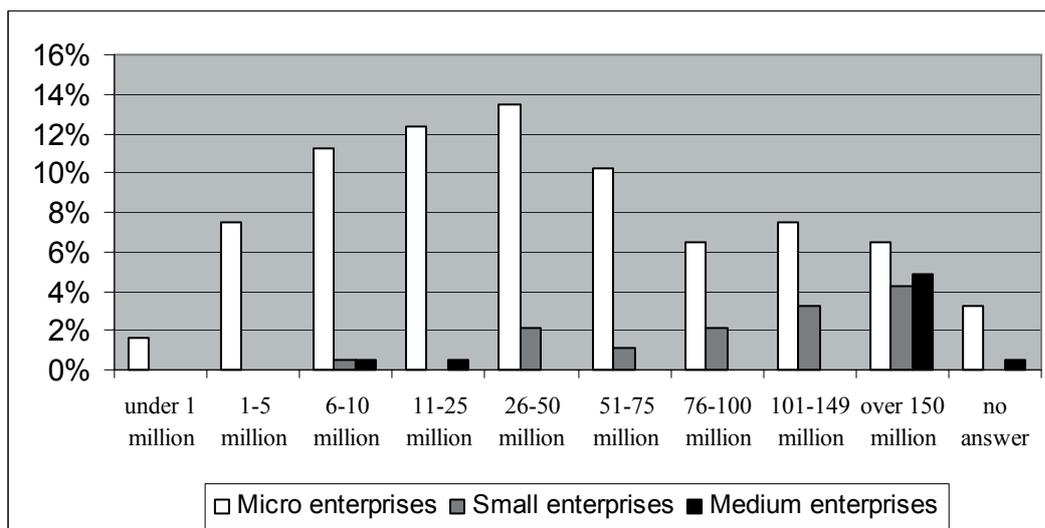


Fig. 8.: Size categories of enterprises based on annual turnover (in HUF) in LBRA, 2005

Table 3.: Result table of linear regression

	³ Micro enterprises	⁴ Small sized enterprises	⁵ Medium sized enterprises
R (deviation)	0,348	0,396	0,126
R ² Square (Coefficient of Determination)	0,121	0,151	0,16
Constant /a /	40195512	121768785	157604593
Unstandardized Coefficients Standard Error of Constant	4978075,6	11615361	52719102
Unstandardized Coefficients /B/ for previous year's investment	8,133	-3,521	-1,398
Unstandardized Coefficients Standard Error of the coefficient for previous year's investment	1,795	1,782	3,328
Result of Student t-test for the constant	8,075	10,483	2,990
Result of Student t-test for the previous year's investment	4,530	-1,976	-0,420
Significance for the case of constant	,000	,000	,012
Significance for the previous year's investment	,000	,061	,683

same time possibilities of accommodation and catering became bigger, and also technical development had a good effect on the alteration of traffic (13, 9).

Tourism means free movement of persons to places outside their living or working places as well as all services connected with these (14).

This special system, which includes the tourist, who represents the demand, and the tourism sector, offering the supply, is an open system, which is in interaction with the elements of social, cultural, political, economical, natural and technological circumstances (13, 15).

The main participants of the sector in this area are the inhabitants and tourists, including workers in the tourism and catering sector, and entrepreneurs taking part in the tourist industry.

After 1989 a radical change took place in the tourism in the Balaton area, causing a decrease mostly in the commercial and in social-purpose lodgings. The number of guests considerably diminished, because destinations earlier unattainable became available, the Balaton area after 1990 is no more the meeting point for the East- and West-Germans. The earlier demand market turned to be a supply market and the inhabitants recognised that development and changes are needed to keep their

competitiveness also on the international market. In 1993 the Council of Balaton Region was established, which was succeeded in 1998 by the Balaton Regional and Tourism Committee. The Conception of Tourism Development has declared that in the area a conscious development and realization of an environment friendly conception is necessary, which will serve the long term development of the area and subsistence of the inhabitants (16).

Trade concentration

The high level of trade concentration can be mentioned as cause of the changes in the consumer customs, their moving to the more convenient shops. Beside factors of economies of scale, the growing capacity of big trade chains and the appearance of their own trade marks are more and more dominating. Always less and less enterprises hold the steadily growing retail trade market (Fig. 2). The number of retail trade shops with large floor-space is increasing; but enterprises with smaller floor-space shops also have a considerable share in commerce. Namely 99,9 % of shops is qualified as SMEs, and a big part of them works as micro-enterprises.

A structural transformation could be observed in the retail trade, especially in the small enterprises throughout the country. In 1996, the enterprise density around the Lake

3 Micro enterprises: have less than 10 employees and annual net income is not higher than. 3,200,000 USD, or grandtotal of the balance sheet is not higher than. 2,300,000 USD.

4 Small sized enterprises: have less than 50 employees and annual net income is up to. 3,200,000 USD, or grand total of the balance sheet is up to . 2,300,000 USD.

5 Medium sized enterprises: have less than 250 employees and annual net income is up to 18,250,000 USD, or grand total of the balance sheet is not higher than. 12,300,000 USD.

/Act XCV. 1991./

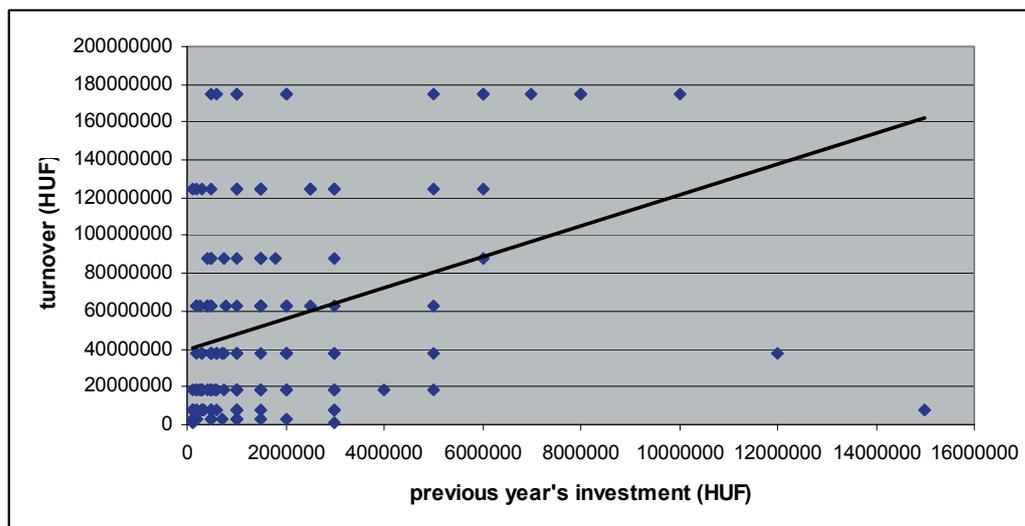


Fig. 9.: Turnover and previous year's investment of micro-sized retail trade enterprises in LBRA, 2005

Balaton considerably exceeded the country average. The intensifying competition influenced mainly the firms active on the shore. Table 2 shows data of the three counties neighbouring the Lake, and within these the data of the Balaton area. The last column shows data of 164 settlements. A big part of enterprises have less than 50 employees, consequently mainly micro- and small enterprises are listed here.

The LBRA includes 164 settlements on 3780 km² in the counties Somogy, Veszprém and Zala, this amounts to 4 % of Hungary's area (Fig. 3).

The special tourism possibilities have an effect on the structure of the local business sector. Mainly low capital-demanding tourism enterprises dominate here. Most of the enterprises show the highest value in the two most important branches of the economy: in the trade and in the tourism sectors.

In the LBRA there are 7037 retail trade shops, including 1459 food trade shops. The spread of hypermarkets and food discount warehouses worsened the positions of more shop categories. Despite this, those shops, which are easily accessible in the vicinity of residential areas, and those which are able to change easily their supply to the changing demands, have a reason for existence. The convenience and the high level of service in these shops is such an added value, for which a part of Hungarian consumers is ready and able to pay. Otherwise, a big part of consumers still prefer suburb supermarkets with cheaper and bigger assortments of commodities for a weekend shopping. The big sized trading chains' (e.g. Lidl) with their supply of cheap products and depressed

prices ruin the reputation of single vegetable and fruit traders. They dictate such a business policy, in which micro- and medium sized enterprises can only compete by clustering into cooperations. Those enterprises, which work only seasonally (e.g. in tourism) have been facing increasing difficulties.

The structural change of retail trade can also be observed in the investigated region. The natural values of the area, like the thermal spas, the protected flora and fauna are excellent assets to be utilized via tourism. Tourism has a strong effect on the inhabitants' way of life. According to data from 1996 enterprise density in the neighbourhood of the Lake surpassed that of the country. Within the area the settlements of the shore attracted mainly the SMEs. Fig. 4 shows the number of private enterprises in the three counties of LBRA. It can be seen, that during the period of privatization – with its peak in 1995 – willingness to create an enterprise increased. This is because after the political transformation many family-sized enterprises were established, since families lost their jobs following the transformation of agricultural cooperatives in the smaller settlements. More and more so called „garage-shops” were opened with less than 50 m² selling surface for food and general store, hoping that this will ensure subsistence (17).

In 2000 there was a privatization wave in the investigated sector giving a new impulse to the retail trade. From 1990 to nowadays the number of retail trade enterprises increased by 50 % again. About its half are active as private enterprises. According to the latest data from 2005 in Hungary 155,462 retail trade enterprises exist.

More than their half is in private ownership, just like in the case of the investigated counties around the Lake Balaton.

The initial prosperity of the food trade and in the tourism working mainly micro- and small enterprises shows cyclicity. A close competition evolved among food distributing enterprises in Hungary. In spite of the appearance of chains of stores (mainly in foreign ownership, e.g. Spar, Plus) and modern big stores, the merchants interested in purchasing associations, in specialist shops and in supermarkets could maintain or increase their turnover.

According to the survey, medium size stores (which are not members of any merchant chains) have the least chance to survive in the competition against shops with huge surface. Smaller shops specialized for local service, have better opportunities in small settlements and villages in the backwoods, because they play an important role in the distribution of daily consumer goods and because big chains of stores are not able to be present everywhere. This situation is observable to a greater extent in the background settlements of LBRA.

CHARACTERISTICS OF THE ANALYSED SAMPLE

In the period before 1990 the biggest part of trade was in state ownership. As a consequence of privatization and structural reorganization a lot of people lost their job, and started their micro-enterprises based on the tourism, important in the area. 78 % of 186 inquired entrepreneurs established their enterprises between 1991 and 1999.

After 2000 the willingness to make an enterprise considerably decreased. This is caused by more processes. Among them the most important is the decreasing volume of tourism and the changing of social composition of guests. Appearance and activity of multinational and foreign interested companies heavily influenced the turnover and investment willingness of local micro- and small enterprises.

According to the data of KSH 66,5 % of the enterprises in the LBRA are in private ownership, the rest is joint enterprise. According to the answers given to our questionnaires two third of entrepreneurs of the area are active as individual enterprises. 19 % of the firms are active in form of limited companies, and 6 % are joint stock companies, which are mainly middle sized enterprises considering their turnover and number of employees.

Within the investigated enterprises the ratio of food shops is high (39 %), followed by shops specialised in clothes with 16 % (Fig. 5). Furthermore, candy and gift shops

are linked to the tourist industry. The demands of the local inhabitants could be covered by one third of these shops. However, more shops are needed here, since the still growing thermal spa- and wellness tourism attracts guests and visitors throughout the year.

The market share of bookshops, newspaper- and stationery shops is similar to that of household equipments and drugstores and of motor vehicle parts and accessories. The smallest ratio is in the case of parts and accessories since this is organised by the trade marks covering the whole country. Small is the trade of shoe and leather ware amounting only to 1 %, mainly as micro-enterprises in the LBRA.

In the survey we also investigated the factors causing the biggest difficulties for the entrepreneurs, hindering their dynamic development.

The expressions listed on the vertical axis (Fig. 6.) show the most frequent problems which lessen the competitiveness of SMEs. The market enlargement was found to be the most difficult problem mentioned by the entrepreneurs (34-21%), which is strongly influenced by the fact that multinational firms and supermarkets often establish their own businesses in the area. Making investment decisions was also mentioned to be a problem (23-27 %), due to the uncertainty of the business environment. The introduction of a new product results in big expectations, since the entrepreneurs do not know yet, if there will be a demand for their product or not. 8 % of the entrepreneurs said that they have had to rely on credits for setting up their firms. Thus, beside covering the fixed and variable costs, they also have to cover their debts. As the food trade market is fully saturated, their biggest problem is the market enlargement, and the increase of their market share.

The collection of debts (these are not consumer credits) refers to enterprises which are subcontractors and grant a respite for payment to their consumers. Big companies usually pay only when they have already resold the goods. From the sample 6% of retail trade enterprises and 2% of food trade enterprises are dealing with this problem. The market of food trade enterprises is saturated, market enlargement is the biggest challenge for them. Selling is more and more difficult, because the concurrent multis and supermarkets – with their competitive price and “everything in one store” policy – attract great part of consumers. 22-23% of the examined enterprises are facing with this problem and the ratio is continuously growing.

Multinational companies appeared also in the investigated area considerably influencing food trade enterprises (Fig. 7.). Among the SMEs with foreign interest especially the Chinese were successful in the clothing trade, and, as a

result, a number of local enterprises had to close because these Chinese businesses covered the whole market. Micro-sized and small shops are not competitive with the big firms since they cannot finance 24 hours opening time. They are at disadvantage since they cannot buy in large scale, and therefore they have to sell for a higher price than their competitors. According to the opinions of 21 % of the questioned small enterprises the Chinese shops make it impossible for them to run a clothing shop, because though goods sold in the Chinese shops are of poorer quality, a large proportion of consumers are unable to buy anything except these cheap products. In the case of food trade the situation is even worse (36 % gave a similar answer). Of course we have also received positive answers: 8 % of enterprises temporarily or permanently (4 % and 4 % respectively) deliver their goods to bigger enterprises.

149 micro-enterprises from the 186 investigated had 79 % share from the total turnover. As the chart shows (Fig. 8.), enterprises with an annual turnover of 6 to 10 million HUF, 11 to 25 million and 26 to 50 million HUF are outstanding in number, 25 small enterprises cover 13 % of the total turnover, while the share of the turnover for medium sized enterprises (50-250 employees) amounts to 8 %. The proportion of enterprises with above 150 million HUF turnover is also considerable at all the three size categories. The interviews with the medium sized enterprises showed that the turnover values for the medium sized enterprises amounted to more than 500 million HUF, while at the two former categories are near to 150 million HUF.

Analysis of the relation between investments in the previous year and current turnover with linear regression

Using a statistical model we investigated the effects of investments made in the previous year on the turnover of 186 retail trade enterprises of various sizes. Sizes were determined by the number of employees. The hypothesis to be tested (H_0) was that a significant relationship exists between the investments and turnover of enterprises, the H_1 (alternative) hypothesis was that the previous year's investment has no effect on the turnover.

Using a simple linear regression our model is as follows:

$$y_i = \alpha + \beta x_i + u_i$$

y_i is the variable explained, in this case the turnover. α and β are parameters to be determined, where α is a constant coefficient, and β is the coefficient of the explaining variable, that is, the previous year's investment (X_i). The standard error of the β was tested using the Student t-test, to see, whether the β value significantly differs from 0 or not. The u_i values indicate the error of the model.

Relationship for micro enterprises (values are in HUF):

$$\text{Turnover} = 40195512 + 8,133 * \text{previous year's investment}$$

Relationship for small enterprises:

$$\text{Turnover} = 121768785 + (-3,521) * \text{previous year's investment}$$

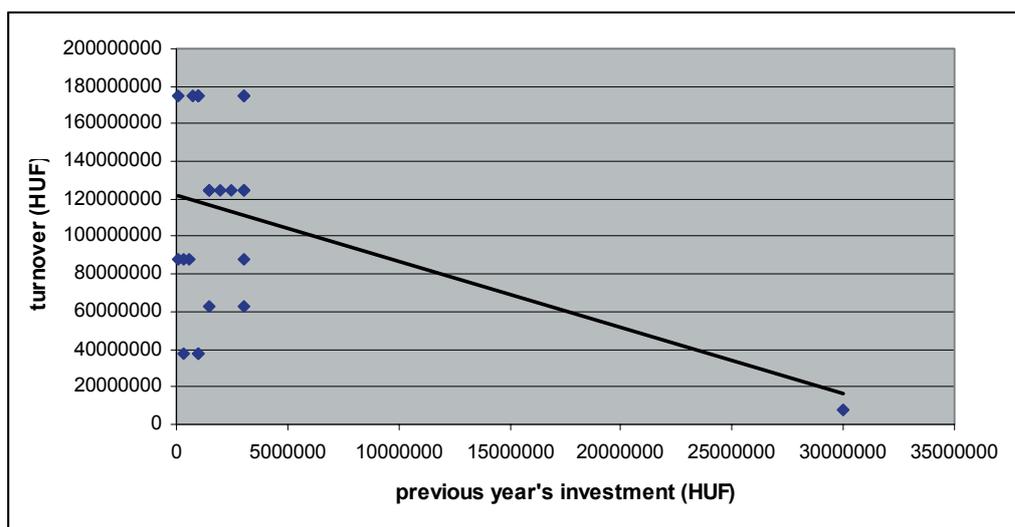


Fig. 10.: Turnover and previous year's investment of small sized retail trade enterprises in LBRA, 2005

Relationship for medium sized enterprises

$$\text{Turnover} = 157604593 + (-1,398) * \text{previous year's investment}$$

The first row shows the deviations (R) from the square mean value, and this value is lower for medium sized enterprises than for the other two size categories. At this size-category in most cases the turnover surpasses 700,000 USD. The second row contains the determination coefficient (the variance), which shows the proportion of the R explained by the model. This value is in the range of 0 to 1. The low values for all the three size categories show that the model is not well fitted, as the acceptable value would be at least 0,3 - 0,4. This means that the previous year's investments explain only a small proportion of variance of turnover.

The last two rows of the table show the significance levels. Based on these we can accept our zero hypothesis only for micro enterprises, since a strong relationship exists between the investments and turnover: the significance level (the probability of error) is below 0,05. In the other two cases this explaining power of the model is weak, since a small or medium sized enterprise having been active for many years would not necessarily invest more for developments and renovations, but it may have a considerably high turnover.

The next three figures show changes of previous year investments and current turnover, separated according to size categories. The number of medium sized retail trade enterprises is very low in the area; still they have

a considerable share in total turnover. From the answers to the questionnaires it can be seen, that many of them belong to the ÁFÉSZ and COOP. (ÁFÉSZ means General Cooperative for Consumption and Sale). They form the net of COOP, having some thousands of owners. Thanks to its special supply associations its market place is more and more powerful; it is the third most successful Hungarian trading chain. Two big firms compete for the first place, the "Reál Hungária Élelmiszer Rt.", this is a joint-stock company having 2260 shops, established in January 2001, and the other, the "CBA Kereskedelmi Kft.", with its 3031 shops, established in 1992. In the Balaton area the network of "Reál Hungária Élelmiszer Rt." has 25 smaller shops, while COOP has 61. The popularity of these small shops of the networks is still growing, because the consumers trust their high level of supply and services. The service here is not so impersonal like at the food discount stores, and buyers normally do not have to stand in long queues. The growth of national trade chains is useful not only for the consumers, but also for the economy.

CONCLUSIONS

We may conclude, that SMEs in Hungary can only compete with multinational enterprises invading their market as a consequence of globalization, if they organise themselves into cooperations, shop networks. This means that both producers and agricultural and food industry companies will meet more and more concentrated, powerful purchasers even in Hungary. For the SMEs the cooperatives can offer a solution in this situation by

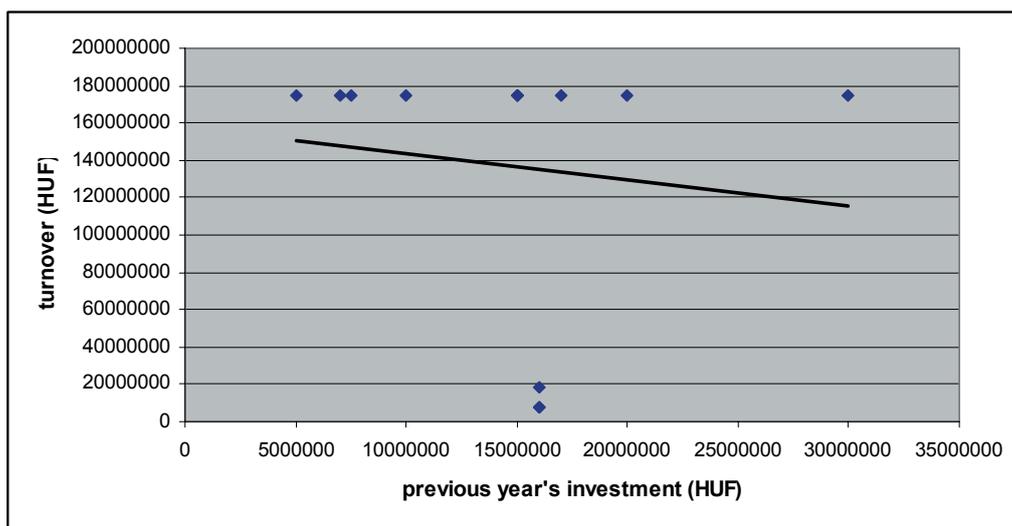


Fig. 11.: Turnover and previous year's investment of medium sized retail trade enterprises in LBRA, 2005

further developing their networks of shops covering the whole country. For this they have already established a network in the food sales sector. The existence of a common logo is a turnover-stabilizing factor in itself and together with common price policy, nationally and regionally harmonized price reductions, contribute to the increase of the turnover.

Trade is dually characterized concerning its ownership and structure. On one side there are multinational companies with high levels of capital, who introduce new methods and create a strongly competitive situation, on the other side exist a huge number of SMEs with their unique professional inventions and adaptation capacities. Both side's existence is necessary, because hyper- and supermarkets are not able to be present in background settlements, at the same time they ensure workplaces for the urban population. The cooperation of the regions and Council of Balaton Region, with professional regional development policy is necessary to establish common aims. Cooperation, programming and monitoring with central, regional and European stakeholders are also very important because of the influx of active capital. As shown in the present survey, small and medium sized enterprises must be handled with priority; they are able to lessen the negative seasonal effects by chain formation.

Within the investigated enterprises the ratio of food shops is high (39 %), followed by shops specialised in clothes with 16 %. Furthermore, candy and gift shops are linked to the tourist industry. The demands of the local inhabitants could be covered by one third of these shops. However, more shops are needed here, since the still growing thermal spa- and wellness tourism attracts guests and visitors throughout the year. We can accept our zero hypothesis (significant relationship exists between the investments and turnover of enterprises) only for micro enterprises, since a strong relationship exists between the investments and turnover: the significance level (the probability of error) is below 0,05. In the other two cases this explaining power of the model is weak, since a small or medium sized enterprise having been active for many years would not necessarily invest more for developments and renovations, but it may have a considerably high turnover. The market of food trade enterprises is saturated, market enlargement is the biggest challenge for them. Selling is more and more difficult, because the concurrent multis and supermarkets – with their competitive price and “everything in one store” policy – attract great part of consumers. 22-23% of the examined enterprises are facing with this problem and the ratio is continuously growing.

In the last years the internal tourism showed significant growth in the examined area, which is mainly due to

the spread of “holiday cheque”. Mass tourism was not present in the background settlements of Lake Balaton until the mid of the '90s. At the same time infrastructural investments took place, which also contributed to the successful transformation of them. The strengthening of “Balaton identity” is very important in terms of sustainable development. The retaining power of the resort area shouldn't be based only on tourism, openness for further branches is necessary to keep youth in the area. Above commerce, education, research and development can be a solution for seasonal employment. Producers, agricultural and food industrial companies should meet with more and more concentrated and strong partners who force them to compete and speed up their development.

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