

## CONCENTRATION OF THE RETAIL TRADE

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*Scientific paper*

### ***Abstract***

This study was initiated by the issue of strengthening the position of retail trade in marketing channels, resulting in less bargaining power of producers and consumers. Stronger position retail trade has achieved through the dominance of a small number of large retail companies that generate a dominant market share. The purpose of this paper is to show the trend of concentration of retail trade, which results in a stronger position to retail producers and the consumers. Globalization of the market led to the intensifying of the trade internationalization, which has resulted in strengthening of the trade concentration on international level. Today, the concentration on the national level for many markets reached international proportions. However, the level of concentration in some countries is considerably different. The concentration of global retail turnover illustrates the piece of information that a very well known 250 of global retailers in 2012 with joint turnover in amount of 4.29 trillions US dollars achieved 29.4% of the share in global retail turnover. The world's 10 largest retailers saw their share of total Top 250 sales 29.3 percent of the Top 250's combined sales. During studies there are used different scientific methods: normative methods, data collection methods, content analysis, comparative, statistical, generic and other methods. Methods of data collection focused on the use of secondary data from books, magazines and websites. The research results shows that the concentration in the retail trade, observed as the market share of the top retailers at the state level, is much higher in the developed countries of the EU than in the other countries. At the end, we can conclude that concentration of retail led to strengthening of its role and domination in marketing channels. The processes of the trade concentration will continue to strength and trade policy will must to follow eventual influence of the concentration on possible monopolistic position and base on that to define the measures for preventing a monopolistic position.

**Key words:** concentration, trade, retail, turnover, market share

### **1. INTRODUCTION**

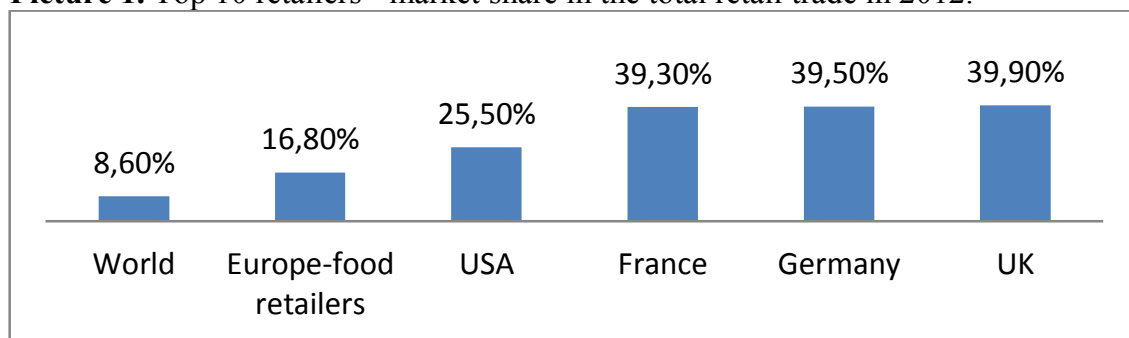
This study aims to investigate and present the trend of concentration of retail trade in the world, in countries that concentrate the most part of world's retail trade. The first part of the study shows the concentration of retail trade turnover in the world.

Study shows that the concentration in the retail trade, observed as the market share of the top retailers at the state level, is much higher in the developed countries of the EU than in the other countries. The second part of the study shows the concentration of turnover of leading global retailers. Study shows that in the Europe and in the United States concentrated two-thirds of the 250 world's leading retailers, resulting in a four-fifths (79%) of total turnover of the top 250 global retailers. Top 10 e-retailers have achieved 29.2% of the total global online retail sales. The third part of the study presents an analysis of the concentration of retail trade in the European Union. Considering the size of the European market, it can be concluded that the top 10 retailers concentrate a significant volume of sales in the food retail trade.

## 2. CONCENTRATION OF THE RETAIL TRADE IN THE WORLD

In last years, it is intensified the processes of retail concentration in the countries with developed market economy, which resulted by high degree of retail concentration. The concentration is the most evident in food processing sector and also it is evident stronger growth in non food retail. However, degree of the concentration in some countries is much different. According to Euromonitor, global retail sales reached USD 14.6 trillion (14,587.1 billion) in 2012, a 2% increase from 2011 (constant prices).<sup>1</sup> The concentration in the total retail trade, observed as the market share of the top 10 retailers, at level world, Europe and state, shows next picture:

**Picture 1.** Top 10 retailers - market share in the total retail trade in 2012.



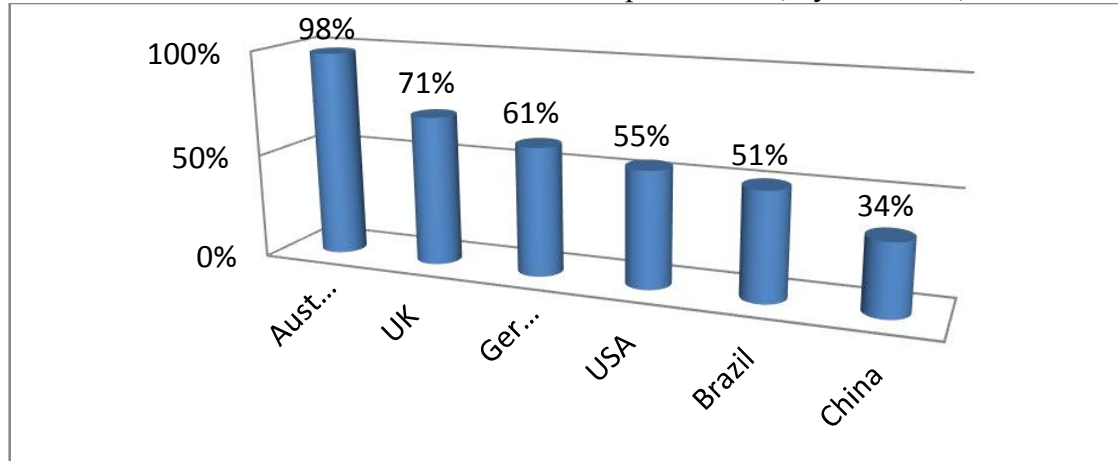
Source: Mešić, I. (2014). *Global Trends in Retail Trade*, Lambert Academic Publishing, ISBN: 978-3-659-61898-7, Germany. Top Food Retailers in Europe, (2013). [available at: <http://retail-index.com/Sectors/FoodRetailersinEuropeandworldwide.aspx> access: June 24, 2014].

Previous picture shows that the concentration in the total retail trade, observed as the market share of the top 10 retailers at the state level, is much higher in the developed countries of the EU than in the other countries. Concentration at the state

<sup>1</sup> Hutchings, D. (2014). Global Perspective On Retail: Online Retailing, [available at: <http://www.cushmanwakefield.com/en/research-and-insight/2013/global-perspectives-on-retail/> access: January 16, 2014].

level, observed through the market share of the top 4 food retailers in food retail sector, by selected countries, is illustrated by the following picture:

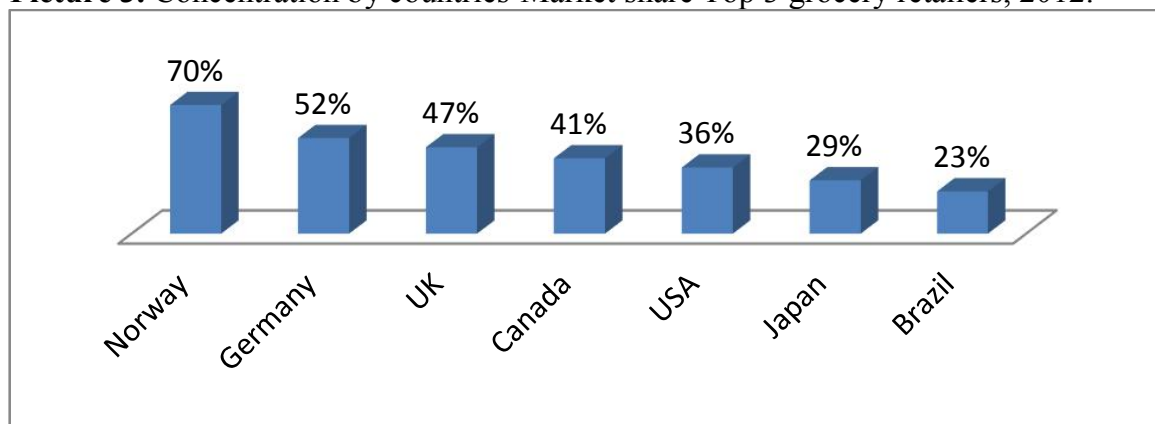
**Picture 2.** Food retail sector - market share Top 4 retailers, by countries, 2012.



Source: Author's construction, Data: Mortimer, G. (2014). The Conversation, [available at: <http://theconversation.com/factcheck-is-our-grocery-market-one-of-the-most-concentrated-in-the-world-16520> access: September 02, 2014]; Top Food Retailers in Europe, (2013). [available at: <http://retail-index.com/Sectors/FoodRetailersinEuropeandworldwide.aspx> access: June 24, 2014]; Statistisches Bundesamt (2013); GAIN Report (2013).

Previous picture shows that the concentration in the food retail sector measured market share top four retailers, the highest in Australia (98%). The figure also shows a higher concentration in the food retail sector in developed European countries than in other countries (except Australia). Concentration at the state level, observed through the market share of the top 3 grocery retailers, by selected countries, is illustrated by the following picture:

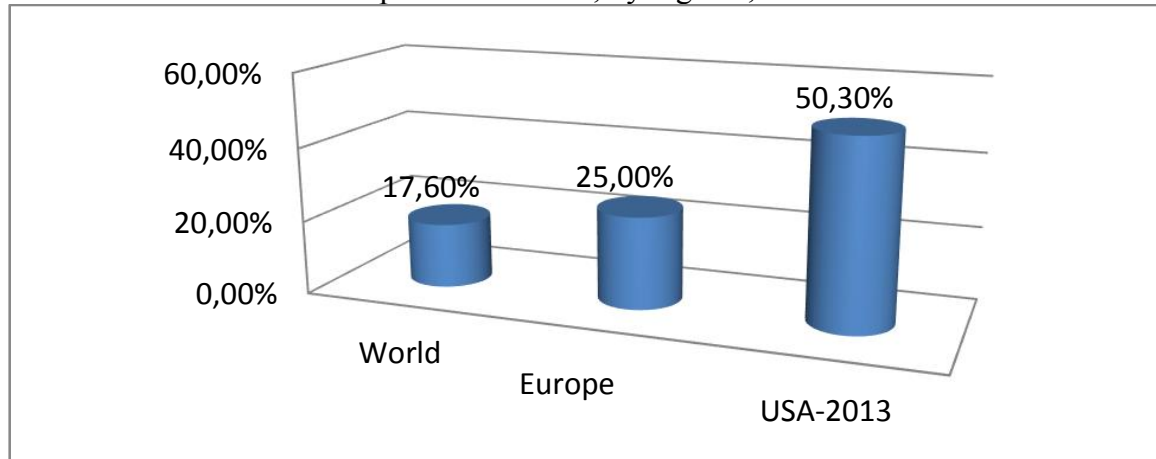
**Picture 3.** Concentration by countries-Market share Top 3 grocery retailers, 2012.



Source: Author's construction, Data: Euromonitor, (2014). Retailing, Country Report, [available at: [www.euromonitor.com](http://www.euromonitor.com) access: May 26, 2014]; Market Indicator Report, (2013). Modern Grocery Retailing in Japan, March, 2013. [available at: <http://www.ats-sea.agr.gc.ca/asi/6376-eng.htm#e> access: August 16, 2014]; GAIN Report (2013).

Previous picture shows that the concentration in the retail trade, observed as the market share of the top 3 grocery retailers at the state level, is much higher in the developed European countries than in the North America and Japan. On the next picture we can see a high degree of concentration at the top 10 e-retailers, in different regions:

**Picture 4.** Market share Top 10 E-Retailers, by regions, 2012.



Source: Author's construction, Data: Top 50 e-retailers 2012, (2014). [available at: <http://www.stores.org/2013/Top-50-E-retailers> access: February 22, 2014]; Internet retailers in Europe, (2014). [available at: <http://www.retail-index.com/ERetail/OnlineprijsvergelijkersinEuropa.aspx> access: August 21, 2014]; Top 10 U.S. online retailers, (2014). [available at: <http://blog.thomsonreuters.com/index.php/top-10-u-s-online-retailers-graphic-of-the-day/> access: September 08, 2014]; Statista, (2014). [available at: <http://www.statista.com/chart/2214/10-largest-online-retailers/> access: September 08, 2014].

From the previous table we can see a high degree of concentration at the top 10 e-retailers, who have achieved 17.6% of the total global online retail sales.

### 3. CONCENTRATION OF RETAIL TURNOVER IN THE LEADING GLOBAL RETAILERS

Concentration of global retail turnover illustrates the information that prominent 250 global retailers in the 2012, with a common turnover of 4.29 trillion dollars achieved 29.4% share of the global retail turnover. Ten world's largest retailers generated sales of 1.26 trillion U.S. dollars, which amounts to 29.3% of total 250 the leading retailers.<sup>2</sup> Condition of concentration of the retail trade, observed at world level illustrates the following table:

<sup>2</sup> Global Powers of Retailing Top 250, (2014). [available at: <http://www.stores.org/STORES%20Magazine%20January%202014/global-powers-retailing-top-250-highlights> access: January 15, 2014].

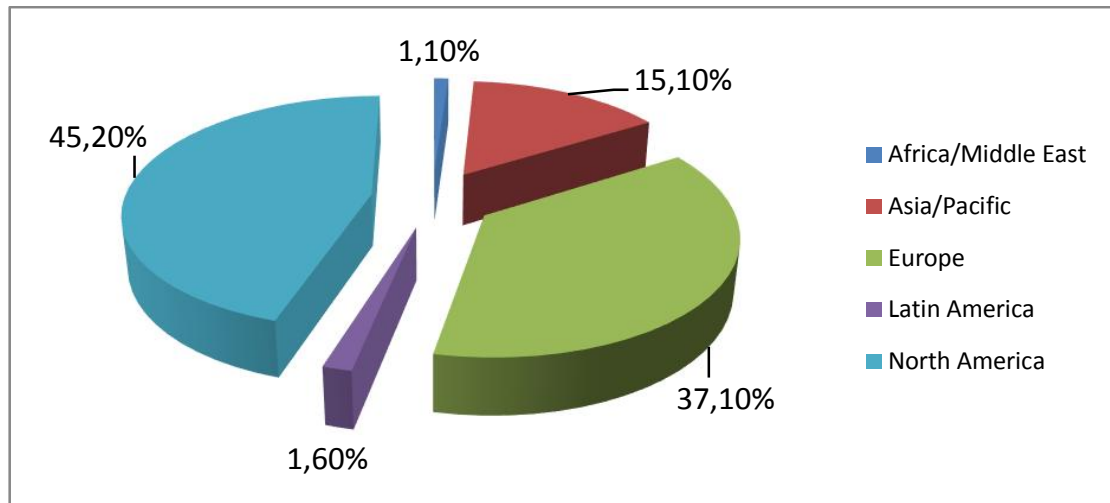
**Table 1.** Top 10 Retailers worldwide, 2012.

Rank	Name company	Home country	Retail revenue Million USD	Market share in world (%)
1.	Wal-Mart	US	469,162	3.22%
2.	Tesco	UK	101,269	0.69%
3.	Costco	US	99,137	0.68%
4.	Carrefour	France	98,757	0.68%
5.	The Kroger Co.	US	96,751	0.66%
6.	Schwarz	Germany	87,236	0.60%
7.	Metro	Germany	85,832	0.59%
8.	The Home Depot Inc.	US	74,754	0.51%
9.	Aldi	Germany	73,035	0.50%
10.	Target	US	71,960	0.49%
	<b>Top 10</b>		<b>1,257,892</b>	<b>8.62%</b>
	Top 250		4,287,587	29.39%
	Global retail sales		14,587,000	100.0%
	Top 10 share of Top 250 retail revenue		29.34%	

Source: Global Powers of Retailing Top 250, (2014). [available at: <http://www.stores.org/STORES%20Magazine%20January%202014/global-powers-retailing-top-250-highlights> access: January 15, 2014].

From the previous table we can see that five from the ten world's largest retailers are from Europe, and five are from United States. Ten world's largest retailers generated sales of 1.26 trillion U.S. dollars, which amounts 8.62% share of the global retail turnover ( 29.3% of total 250 the leading retailers). The share of sales of Top 250 global retailers from different regions is shown in the next picture:

**Picture 5.** The share of sales of Top 250 global retailers from different regions, 2012.



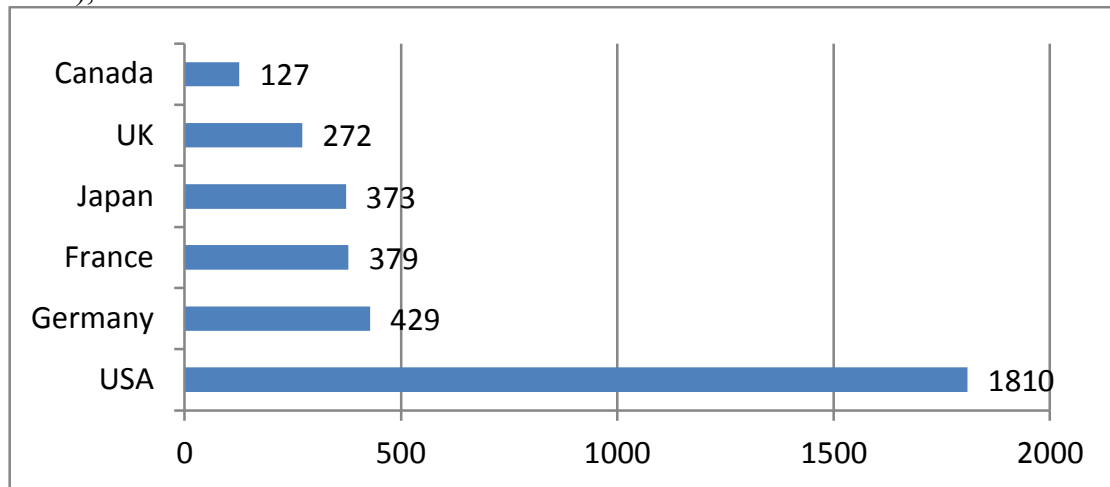
Source: Mešić, I. (2014). *Concentration of World Trade*, Lambert Academic Publishing, ISBN 978-3-659-54455-2, Germany. Global Powers of Retailing Top 250, (2014). [available at: <http://www.stores.org/STORES%20Magazine%20January%202014/global-powers-retailing-top-250-highlights> access: January 15, 2014].

Previous picture shows plenty of uniform share of global retailers from the North America and global retailers from Europe. Global retailers from the North America have 8.1% higher share of sales than global retailers from Europe. The picture also shows that global retailers from the North America and Europe together represent 82.3% of the turnover of Top 250 global retailers. Of the 250 global retailers, 83 retailers are from the United States with a common turnover of 1.81 trillions dollars, and the 82 retailers are from Europe with a common turnover of 1.59 trillion dollars. Leading retailers from three European countries (Germany, Great Britain and France) have 43 of 250 global retailers, with a common turnover of 1.08 trillion dollars.<sup>3</sup>

Sales value of global retailers from different countries is shown in the following picture:

<sup>3</sup> Global Powers of Retailing Top 250, (2014). [available at: <http://www.stores.org/STORES%20Magazine%20January%202014/global-powers-retailing-geographical-analysis> access: February 27, 2014].

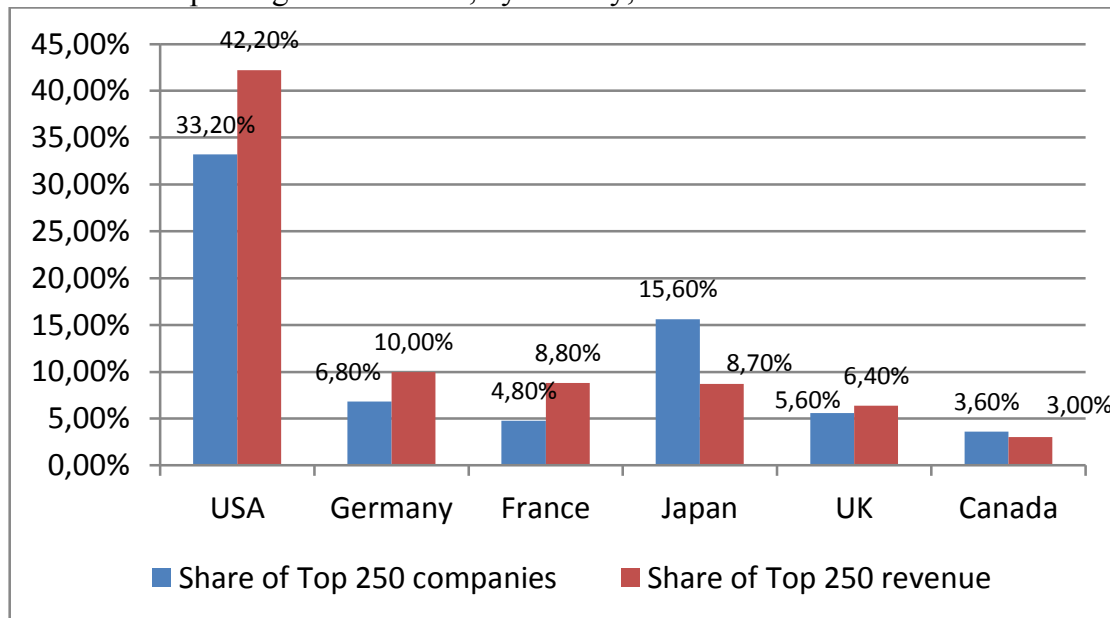
**Picture 6.** Top 250 - Sales value of global retailers from different countries (billion USD), 2012.



Source: Global Powers of Retailing Top 250, (2014). [available at: <http://www.stores.org/STORES%20Magazine%20January%202014/global-powers-retailing-geographical-analysis> access: February 27, 2014].

Previous picture shows that most of the turnover of 250 leading global retailers achieve retailers from the U.S. and three leading European countries. Comparison of concentration at global retailers, by countries, illustrates the following picture:

**Picture 7.** Top 250 global retailers, by country, 2012.



Source: Global Powers of Retailing Top 250, (2014). [available at: <http://www.stores.org/STORES%20Magazine%20January%202014/global-powers-retailing-geographical-analysis> access: February 27, 2014].

Previous picture shows that 69.6% of the 250 global retailers are located in six countries, and they have achieved 79.1% of total turnover of 250 global retailers. The

largest number of global retailers are from the USA and they achieve the largest share of sales of 250 global retailers.

#### 4. CONCENTRATION OF THE RETAIL TRADE IN THE EUROPEAN UNION

Inside of the EU countries, the concentration of the retail trade became very strong. The concentration is highest in the food sector, but is also evident and in other sectors. The direct circumstance of the internationalization is bigger concentration of the trade in Europe. However, the rate of the concentration in few countries is still differ.<sup>4</sup> Condition of concentration of the retail trade, observed at European level (rather than at the state level) illustrates the following table:

**Table 2.** Top 10 Food Retailers in Europe, 2013.

Rank by Turnover in Europe		Retailer	Home country	Turnover in Europe Billion EUR	% Market share in Europe
1.		Schwarz	Germany	74.0	2.5%
2.		Tesco*	UK	65.3	2.2%
3.		Metro	Germany	63.6e	2.1%
4.		Carrefour	France	54.7	1.8%
5.		Rewe	Germany	50.6	1.7%
6.		Edeka	Germany	46.2	1.6%
7.		Aldi	Germany	45.2e	1.5%
8.		Auchan	France	39.2e	1.3%
9.		E. leclerc	France	36.5	1.2%
10.		Sainsbury`s	UK	28.3	0.9%
		<b>Top 10</b>		<b>503.6</b>	<b>16.8%</b>
		All European Food Retailers	Europa	3,000.0	100.0%

\* Fiscal year 2013. e = estimate

Source: Author's reconstructions, Data: European Commission (2014). *The economic impact of modern retail on choice and innovation* in the EU food sector, Final Report, September, 2014. [available at:

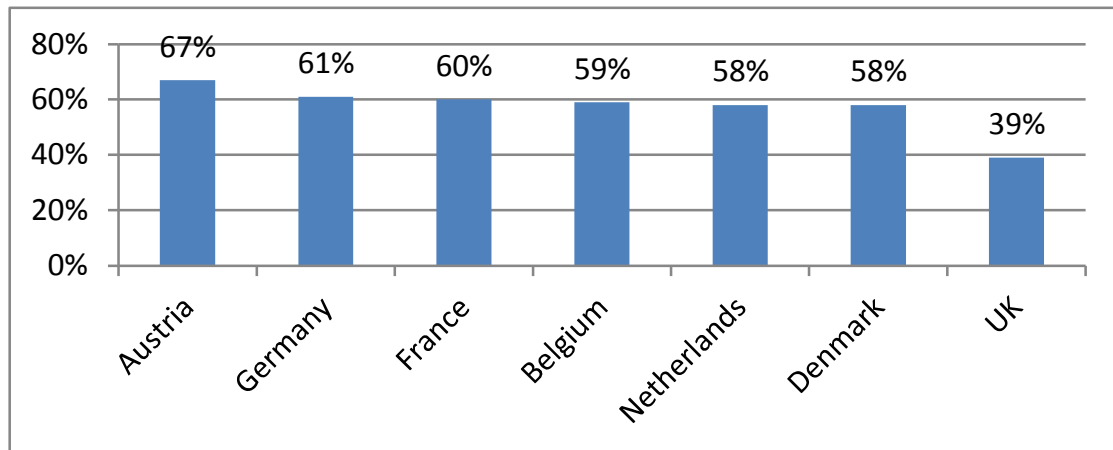
<sup>4</sup> Unstoppable Wave of Internationalisation in the European Grocery Trade and Increased Concentration (2008). [available at: [http://www.eurodata.com/presse/prl\\_0898.html](http://www.eurodata.com/presse/prl_0898.html) access: September 14, 2008].



[http://www.google.ba/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CB8QFjAA&url=http%3A%2F%2Fec.europa.eu%2Fcompetition%2Fpublications%2FKD0214955ENN.pdf&ei=DuqWVKPKOubB7gbYqoDIDg&usg=AFQjCNGtGjXv4BzenYDBxtMI\\_11q86DLcQ](http://www.google.ba/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CB8QFjAA&url=http%3A%2F%2Fec.europa.eu%2Fcompetition%2Fpublications%2FKD0214955ENN.pdf&ei=DuqWVKPKOubB7gbYqoDIDg&usg=AFQjCNGtGjXv4BzenYDBxtMI_11q86DLcQ)  
access: December 21,2014].

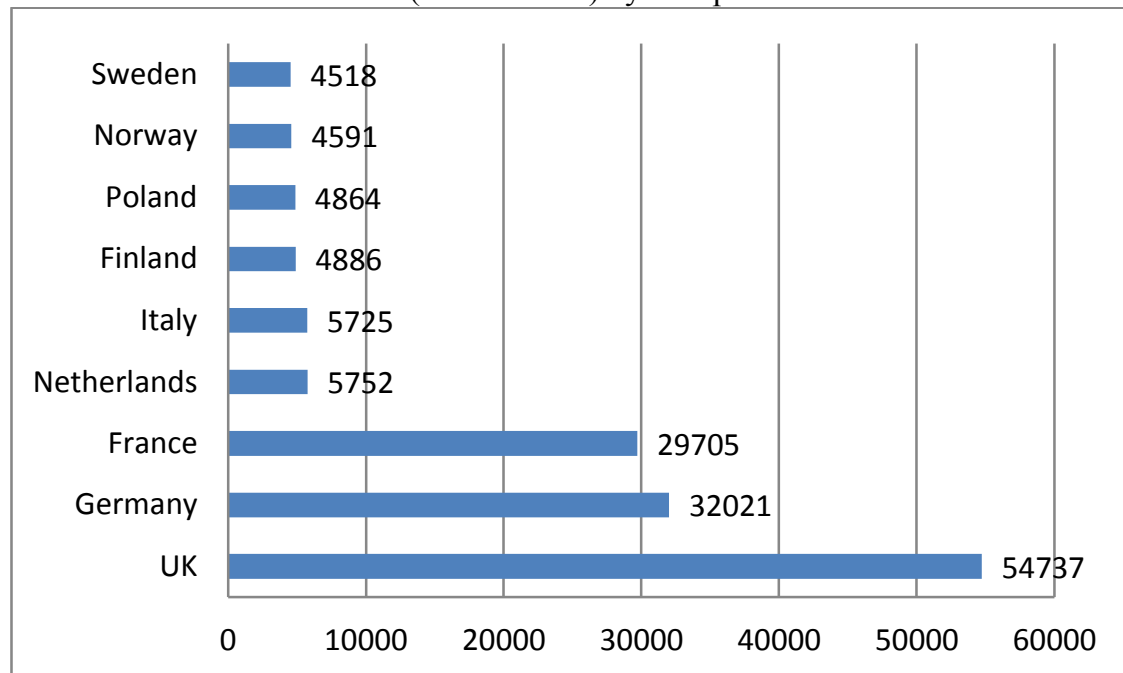
By observing data in the table above, we can conclude that the top 10 food retailers achieves one-sixth of turnover in European food retail trade. The largest share has a German retailer Schwarz of 2.5%, which is followed by the UK Tesco with 2.2% and Metro of Germany with 2.1%. Considering the size of the European market, it can be concluded that the top 10 retailers concentrate a significant volume of sales in the food retail trade. Concentration of turnover at top 5 grocery retailers in selected European countries in the 2012 illustrates the following picture:

**Picture 8.** Concentration by country - market share Top 5 retailers (edible grocery), 2012.



Source: Author's reconstructions, Data: European Commission (2014). *The economic impact of modern retail on choice and innovation* in the EU food sector, Final Report, September, 2014. [available at: [http://www.google.ba/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CB8QFjAA&url=http%3A%2F%2Fec.europa.eu%2Fcompetition%2Fpublications%2FKD0214955ENN.pdf&ei=DuqWVKPKOubB7gbYqoDIDg&usg=AFQjCNGtGjXv4BzenYDBxtMI\\_11q86DLcQ](http://www.google.ba/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0CB8QFjAA&url=http%3A%2F%2Fec.europa.eu%2Fcompetition%2Fpublications%2FKD0214955ENN.pdf&ei=DuqWVKPKOubB7gbYqoDIDg&usg=AFQjCNGtGjXv4BzenYDBxtMI_11q86DLcQ) access: December 21, 2014].

The concentration of sales in a small number of large retailers is also evident in other developed countries. In Finland, the domestic giants S Group, with a 42% value share, and Kesko Oyj with a 32% value share, continued to strengthen their positions in 2012. In Norway, the leading companies in 2012 were Norgesgruppen (32%), Coop Norge Handle (19%), Reitangruppen (17%) and ICA Norge (10%). These four companies dominate the highly consolidated grocery retail market in Norway. Norgesgruppen and Reitangruppen have continuously increased their market shares during the last few years [15]. E-commerce is one of the fastest growing markets in Europe. Internet retail sales by European countries in 2012 illustrated this picture:

**Picture 9.** Internet retail sales (million USD) by European countries in 2012.

Source: Autor's constructions, Data: Hutchings, D. (2014). Global Perspective On Retail: Online Retailing, [available at: <http://www.cushmanwakefield.com/en/research-and-insight/2013/global-perspectives-on-retail/> access: January 16, 2014].

Online retailers in only three countries, UK, Germany and France accounted for 71% of total European online sales.<sup>5</sup>

## 5. CONCLUSION

In last years, it is intensified the processes of retail concentration in the countries with developed market economy. Concentration is most evident in the food retail, but is evident growth the concentration and in other sectors retail. However, degree of the concentration in some countries is much different. Concentration of global retail turnover illustrates the information that prominent 250 global retailers in the 2012, with a common turnover of 4.29 trillion dollars achieved 29.4% share of the global retail turnover. About 69.6% of the 250 global retailers are located in six countries, and they have achieved 79.1% of total turnover of 250 global retailers. The largest number of global retailers are from the USA and they achieve the largest share of sales of 250 global retailers. In the Europe and in the United States concentrated two-thirds of the 250 world's leading retailers, resulting in a four-fifths (79%) of total turnover of the top 250 global retailers. Analysis of concentration of retail trade shows that the largest intensity of concentration of retail turnover (degree of concentration), measured by market share of leading retailers have developed European countries. Inside of the EU countries, the concentration of the retail trade became very strong.

<sup>5</sup> Online Retailing: Britain and Europe 2012, (2014). [available at: <http://www.retailresearch.org/onlineretailing.php> access: May 05, 2014].

At the end, we can conclude that concentration of retail led to strengthening of its role and domination in marketing channels. The processes of the trade concentration will continue to strength and trade policy will must to follow eventual influence of the concentration on possible monopolistic position and base on that to define the measures for preventing a monopolistic position.

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