INTENSIFYING OF COMPETITION AND DOMINANT POSITION IMPACT OF LARGE RETAILERS IN RELATION TO MANUFACTURERS

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Abstract

Increasing concentration and increase in the size of retail companies plays a crucial role in permanent and apparent strengthening of retail position in marketing channels. Purpose and motive of this paper is increase in competition and concentration in contemporary market. Contemporary trade management and marketing with use of modern information technology intensify the development of large retail chains. Retailers are forcing manufacturers they cooperate with to directly participate in building a competitive position in the global market. Competition between producers in the battle for entry into the network of large a retailer is intensive. In order to analyse competition on the market we used analyses and syntheses. Strengthening of products with private label allows differentiation from competition and successful market positioning. The effects of power of large retailers and the retail concentration are in favour of producers, thanks to the possibilities of a wide and intensive coverage of the market. The development of partnership and long-term relationship between large retail chains and producers requires mutual trust and sharing of long-term relationships vision. Market impact of the paper is in insight to development of relationships between participants in marketing channels in conditions of increasing competition and concentration.

Key words: global market, competition, concentration, retailers, manufacturers

1. INTRODUCTION

In contemporary market conditions are manifested Legal flows of strengthening the retailers' power in marketing channels are manifested in contemporary market conditions, which greatly changes the position and relations among participants in marketing channels. The structure of retailing is rapidly being transformed by the presence of a large number of small and independent retailers to the existence of dominant role of strong national and multinational retailers. Retailers are growing and developing rapidly, and their strength in marketing channels is growing. They are growing their market share and market power, thereby increasing the concentration of the retail market. Accordingly competition sharpens. Also, a growing part of the market goes into the hands of fewer retailers, which become ''gatekeepers' for access to the consumers (Dobson, 2003, p. 111). Retailers are becoming stronger individually, but the retail sector at national and in the global level are becoming stronger as well.

Retailers today are, as measured by the volume of retail revenue, assets or share capital, significantly stronger than the manufacturer in most commodity groups. They begin to put conditions even to the world's largest manufacturers whose huge part of the production is sold through huge global retailers' sales network. Manufacturers are becoming increasingly dependent on retailers, their negotiating position weakens and they invest more effort in building relationships with retailers, and less with consumers. In this situation, retailers take many marketing functions that have been traditionally performed by wholesalers and manufacturers. It takes a leading role in the development of relations with consumers, and therefore dominant position in the marketing channels.

There is a shift of power from manufacturers to retailers and is primarily associated with the growing concentration of the retail industry, the successful introduction of products with the private label, the development of a new concept of management of product categories, greater use of information technology in retail, insufficient and limited space on the shelves for a large number of new products being introduced to the market every day, and the like. Consolidation and raising the level of concentration of the retail sector allow retailers a better negotiating position towards manufacturers, lower purchasing prices, boosting price competition among retailers, as well as lowering retail prices for consumers themselves.

Undoubtedly, large retailers who are going through the process of restructuring, which apply modern technological innovations and implement internationalization of business, are becoming the main initiators and leaders of the development of trade and market in the national and global level. Changes in the retail sector involve a large number of stakeholders and very intensively reflect on the activities of all market participants: manufacturers, wholesalers, retailers themselves, consumers, and government institutions. Therefore, strengthening the power of entities in retail marketing channels intensively opens numerous questions of theoretical and practical nature. It essentially brings down issues related to the functioning of the marketing channels, and first of all to whether the concentration of retailing is really in the interest of consumers and manufacturers.

The topic of this work concerns intensifying competition in the new conditions as well as domination and influence of large retailers on the position of manufacturers in marketing channels. As a basic question to be answered the question of how producers can cope with these asymmetrical relationships within modern marketing channels can be asked. Are producers able to oppose the accumulated power of retailers, their pressure in terms of price and many other elements of their mutual business relationship, and to leverage the benefits that the cooperation with large retailers might provide them with?

2. THE CURRENT STRUCTURAL CHANGES IN MARKETING CHANNELS UNDER THE INFLUENCE OF RETAIL FORCES CONSOLIDATION

Under the influence of retailer’s power strengthening, along with the transformation of the retailing structure, significant structural changes in marketing channels occur. The structure of distribution channels that link manufacturers and retailers is largely determined by the structure of the retail market, and is highly dependent on the distribution strategies that manufacturers and retailers employ (Maruyama, 2004, p. 27). Now, therefore, the question of how manufacturers can achieve equalization of power in relation to retailers rises (Lovreta, 2013, p. 558). What all of this is based on are changes in terms of power of participants and influence that the more powerful ones have on management and general operation of marketing channels in the market.

Modernization of retailing, especially in the field of food and other products of everyday purchases and consumption was very intense in developed markets in recent decades. Retailing has transformed from a system where the predominant model was the traditional one to the system based on dominant role of the modern supermarket chains and hypermarkets retail stores with a very significant share of foreign investments. This process has resulted with a strong concentration of the market and the intense spatial dominance of a small number of participants in the final phase of marketing channel. In addition to that, it has provided big distribution groups with the power to demonstrate great negotiation skills in their relations with the producers (Duffy, 2003).

Intensive dynamics and intensifying competition in the retail sector has led retailers to adopt marketing orientation and a proactive role in creating marketing channels. In that way, with the use of modern distribution strategies, they have caused very significant changes in the structure of retail market, and further in its relations with other participants in marketing channels. New roles and functions that were taken over by retailers have caused visible structural changes in marketing channels.

Information and communication technologies and other impacts based on technological development and improvement of commercial management enable retailers to take a much stronger and more stable role in the overall economy. Significant market potential, intensive expansion of large retail stores since the beginning of the 90s, the economies of scale with global sources of supply and international expansion of the retail network have enabled retailers to become one of the largest participants in the global market. A few decades ago the fact that the world's largest company would be a retailer was unimaginable; today increasing number of retailers exceeds the largest manufacturers in their size (Figure 1).

There were only two retailers ahead of the world's largest manufacturers of food products, "Nestle" which was at the 42nd place in 2011, but in the meantime suffered a decline even to the 70th (there are now five retailers) (Stankovic, 2014, p. 45). The second largest manufacturer of FMCG sector, "Procter & Gamble" was on the 80th place on the list of world's largest companies four years ago and in the meantime experienced a drop of twenty places. Then there were five stronger retailers, while in 2015 the group consisted of one retailer more.

Table 1. The largest market participants in the world 2015

Rank	Company name	Country of origin	Dominant field of operations	Revenue (US$ mil.)	Profit (US$ mil.)
1.	**Wal-Mart Stores, Inc.**	**USA**	**hypermarket**	**485,651**	**16,362**
2.	Sinopec Group	China	Oil and gas	446,811	5,177
3.	Royal Dutch Shell	Netherlands	Oil and gas	431,344	14,874
4.	China National Petroleum	China	Oil and gas	428,620	16,359
5.	Exxon Mobil	USA	Oil and gas	382,597	32,520
6.	BP	UK	Oil and gas	358,678	3,780
7.	State Grid	China	Electricity	339,426	9,796
8.	Volkswagen	Germany	Motor Vehicles & Parts	268,566	14,571
9.	Toyota Motor	Japan	auto-industrial	247,702	19,766
10.	Glencore	Switzerland	Mining, Crude-Oil Production	221,073	2,308
52.	**Costco**	**USA**	**Retailing**	**112,640**	**2,058**
54.	**Kroger**	**USA**	**Food & Drug St.**	**108,465**	**1,728**
62.	**Tesco**	**UK**	**Food & Drug St.**	**101,580**	**-9,321**
64.	**Carrefour S.A.**	**France**	**Food & Drug St.**	**101,238**	**1,656**
70.	Nestle	Switzerland	Food Consumer Products	100,115	15,797
97.	**Metro AG**	**Germany**	**Food & Drug St.**	**85,505**	**172**
100	Procter & Gamble	USA	Household & Personal Products	84,537	11,643

Source: according to: http://fortune.com/global500/

American retailer Wal-Mart Stores Inc. was the leading company in 2015, as measured by sales revenue, which surpasses even the largest companies operating in the energy sector and the world's largest automobile manufacturers. Among the top 100 largest participants in the global market six are retailers all of which are from the FMCG field. These five largest retailers achieved sales revenue greater than that of the "Nestle" company, the world's largest manufacturers of food products, which found itself in the 70th place. All six retailers are ahead of the world's second-largest sales revenue "Procter & Gamble" manufacturer of food and other products of everyday purchases and consumption, which is located at 100th place.

Previous analysis related to the world's largest companies confirms that there is a very high level of concentration and strength, market and negotiation, concentrated in the hands of big retailers. It also confirms that the changes occurring in the same direction continue, and very rapidly. The growth of large retailers took place in response to the size and market power of existing manufacturers, which are their suppliers. Today, however, we see that manufacturers are unable to compete with accrued retailers. All of them, especially smaller producers, can be strongly affected the situation in which they are no longer able to resist the accumulated cost of effective retailer. Besides price fighting, producers come to an inferior position in comparison with the powerful retail chains of many other elements of their mutual business relationship.

Distributive tasks and numerous functions that were traditionally conducted by wholesalers and the producers and now taken over by empowered retailers (Rosenbloom, 2013). Some participants only partially, voluntary or forcefully, give their functions to other participants, while other participants completely go out of marketing channel. Strengthened retailers took over the role of so many participants in marketing channels and made them superfluous intermediaries. This led the position of all participants in the channel, especially the traditional role of wholesale trade, as well as the position and the role of producer to question.

"It is clear that retailers nowadays ask for as little big suppliers that they could cooperate with as possible" (Hingley, 2005, p. 69). Also, with increasing market share large retailers with large retail formats are becoming more and more able to demonstrate their purchasing power over the producers and their suppliers in general. Manufacturers yield to its ability to ruthlessly and callously lower the purchase price on the low, uneconomic level, which often means a threat to the very survival of the suppliers. It is assumed that in this situation 'supplier will participate in the supply chain channel as long as his profit is non-negative' (Ertek, 2002: 695). Large retail chains have begun being those that control access to consumers and to reimburse that from others.

Also, the products with the private label today strongly compete for a place on the shelves of retailers, and in these conditions the struggle from the perspective of the manufacturers' brands does not seem fair at all. The introduction of products with the private label in the retail range meant that 'retailers are no longer only agents selling manufacturers' brands: they are now also their competitors' (Amrouche, 2009, p. 362). Competition for space on the shelves has become so debilitating that many manufacturers are rightly seen as the most expensive real estate in the world.

However, although producers are faced with increasingly numerous and complex requirements posed by large retail chains and at the same time become increasingly dependent on ever-smaller number of stronger and stronger retailers, they observed significant benefits that business with such partners may bring. For many companies, the lure of partnering with a mega-distributor is irresistible (Thomas, 2011, p. 25), and acceptance of power-imbalance is a key first-step to successful relationship building (Hingley, 2005, p. 63).

The power of large retailers is located in the heart of all business activities they participate in. More power means possibility of greater influence on their own as well as on their partners' position, and also the possibility of expressing individual interest. Taking into account that power has its positive and constructive side, but also negative and somehow destructive one, strong retail chains take on huge responsibility in terms of creating and using an effective mix of mechanisms of power. On the other hand their partners, producers and other suppliers, there is never enough caution and wisdom if they want a long-term successful cooperation with these dominant buyers.

3. COMPETITIVE POSITION OF THE INTERNATIONAL RETAILERS IN THE GLOBAL MARKET

The development of competition in retailing, either on developed or in emerging markets, and strengthening the power of retailers on the market leads to intensive process of internationalization of their retail activities. There could be even said that the expansion of retail stores outside the borders of national markets is direct result of the concentration of retailing on the national markets. The expansion of the retail network in the national market is done in order to achieve economies of scale, but it is after a certain level made difficult for many reasons. In addition, the concentration on the national market can only be achieved up to a certain point which is usually determined by the anti-monopoly legislation. All in all, it is certain that the "domestic saturation and the high growth nature of emerging markets are the biggest drivers of the internationalisation of retail" (Lahouasnia, 2012, p. 2).

Saturation of retailers' expansion opportunities onto the domestic market makes retailers to expand into foreign markets. Encouraged by its ability to respond to new consumer spending cultures in the domestic market, retailers usually go out on the market in the region close to them, that is similar and more readily available. It mostly consists of the purchase or merger with existing chains. In this way they pass the barriers of entry defined by existing legislation. In the new markets they internationalize their business in both directions, so that they spread retail network as well as find international sources of supply. Yet national markets remain strongholds of operations of each retail chain, as most of their sales and purchases are achieved on the national market.

It is especially important to note that the development of private label contributed significantly to the rapid and relatively efficient access to foreign markets. In this way, supermarket chains are beginning to increasingly depend on the price and the total supply of domicile manufacturer for specific product categories. In addition, research show that vertically integrated retailers had greater success in the internationalization of activities than chains that act individually in the market.

A key role in the processes of internationalization of business activities belongs to the largest retail chains, which generally perform the greatest participation in the domestic market. The top ten largest retailers of food products and other products of everyday consumption have extremely intense activity on the foreign markets (Figure 2).

Table 2. Business internationalization of the largest participants in the FMCG market

Ra-nk	Company name	Country of origin	Dominant field of operations	Countries of operation 2013	% retail revenue from foreign operations 2013

1.	Wal-Mart Stores, Inc.	USA	Hypermarket/Supercenter/ Superstore	28	28.9
2.	Costco	USA	Cash & Carry/Warehouse Club	9	28.6
3.	Kroger	USA	Supermarket	1	0
4.	Schwarz	Germany	Discount Store	26	59.2
5.	Tesco	UK	Hypermarket/Supercenter/ Superstore	13	30.0
6.	Carrefour S.A.	France	Hypermarket/Supercenter/ Superstore.	33	52.7
7.	Aldi	Germany		17	57.1
8.	Metro AG	Germany	Cash & Carry/Warehouse Club	32	59.3
10.	Walgreen Co.	USA	Drug Store/Pharmacy	2	-
13.	Auchan	France	Hypermarket/Supercenter/ Superstore	13	-

Source: according to: Deloitte (2016)

There is a very noticeable intense business activity among the largest retailers in the world outside their domestic markets. The five largest operate in on average 23.2 different countries and in international markets by an average of 40.8% of their revenue. This speaks convincingly about the high level of orientation of retailers to expand into foreign markets, which obviously becomes one of the basic prerequisites for their growth and development.

Typically, by entering the new markets international retailers intensively change relationship between existing retailers and their manufacturers. They create a different relationship with the manufacturers from the previously existing ones between producers and existing retailers. The fact is that the relationship between suppliers and retailers is becoming more complex with the internationalization of certain retail markets. Introduction of new relationships and requirements to producers in markets will affect the acceptance of the same behaviour by other already existing retailers.

4. DEVELOPMENT OF PARTNERSHIP BETWEEN LARGE RETAIL CHAINS AND MANUFACTURERS

Manufacturers, especially those which are less powerful, are trying above all to modify and present their role as more significant to powerful retailers in modern market conditions. Their goal is to become essential suppliers to strong retailers, as they are aware that in modern marketing channels sustainable position can be built only on the foundations of long-term cooperation and partnership in the relations with interdependent members.

Manufacturers are increasingly accepting the fact that the level and form of interdependence 'it defines power relations between channel members; and, it is also the seed of potential channel conflict' (Li, 2001, p. 34). For this reason, it is very strongly and thoughtfully devoted to fostering the development and management of their long-term relationships. Such long-term relationships develop mutually beneficial outcomes and are characterized by mutual trust, open communication, common goals, commitment to mutual gain, and organizational support (Bradford, 2009, p. 25).

Success in that is a prerequisite for survival for producers, especially those weaker in the present conditions of high concentrations of forces and polarization of relations. As economic developments are becoming less and less predictable, 'long-term relationships between distribution channel partners are increasingly becoming even more important part of the company's long-term strategy' (Black, 2010, p. 245).

The transformation of the typical relationship between buyers and sellers, manufacturers and retailers initiated and facilitated in every sense, in the first place, the development of information and telecommunication technologies. This applies, above all, to modern retail chains and their suppliers and the relationship that involves partnership and long-term oriented marketing cooperation. They now openly share and jointly analyze information and knowledge they have integrating their activities and transforming their own organizational structures and processes. In this way, a better coordination of their activities leads to more efficient marketing channels and achieving better business results on both sides.

With the development of such partnerships, partners intensively focus on buyers and on selling what the buyers want, on reducing the need to hold stocks and introducing a system of continuous refilling inventories, they jointly develop and manage category management which is the subject of their cooperation and the like. Transformation of rival relationships into a strong commitment to development of a mutually beneficial partnership is becoming more acceptable to both sides.

But still, manufacturers, especially those that produce food and other products of everyday purchases and consumption, must be able to respond to additional and completely new demands on the process of buying and selling if they want to maintain and improve its position in the eyes of the representatives of the purchasing department of modern retailer, and by that the position of their products in retail stores in the eyes of consumers as well. Changes in requirements occur in accordance with a very dynamic structure of the retail market; changes in technology applied by retailers, higher levels of competition between retailers, but also by changes in the purchasing managers' views regarding the expectations of consumers and creating the planned position in the market.

In accordance with the structural changes that occurred in the retail sector, the availability of sufficient quantities necessary for the entire chain of retail stores is becoming one of the priority criteria for cooperation and development of partnerships. Earlier, when the capacity of producers of food and other products of everyday purchases was relatively large in relation to the requirements of retailers, this problem was not in focus. With the growth of retailers it becomes more evident. There are even less manufacturers that, with the evolving possibilities of their capacity, could follow a very dynamic development in demand from retailers for their products. More and more small and medium-sized manufacturers are for this very reason losing the possibilities of establishing partnerships with retailers who are increasingly having hundreds or even more than a thousand stores.

When manufacturers are able to meet the basic requirements in terms of quantity, in terms of building long-term relationships, first task is to change access to large retailers, their attitudes and ways of thinking. Many manufacturers are only interested in their products and to where they can get the highest price for them. However, it is important that they want to learn and to understand the nature of the relationship with retailers, the problems faced by the retailers themselves, and why retailers are interested in building long-term relationships with them.

Manufacturers' sales staff plays an important part there. They must be able to develop direct relationships with large retailers purchasing staff. These relationships are now quite different from simple transactional relationships that are maintained in the same way with a number of partners. It is necessary to apply a specific, individually customised, approach in order to succeed in developing long-term relationships with selected representatives of large retailers.

Such long-term relationships develop mutually beneficial outcomes and are characterized by mutual trust, open communication, common goals, commitment to mutual gain, and organizational support (Bradford, 2009: 25). It is clear that we need to go much further than a simple will to cooperate. Sellers who really play the role of "managers to maintain relationships with buyers" have a key position in the development and management of partner relations between the two participants in the market. Apart from just knowing the goods, they have to be familiar with the capabilities and efforts of the house they come from if they wish to succeed in imposing the implementation of certain beneficial activities at the right moment.

In addition, considerable attention must be paid to training of sales staff and development of their ability to resolve any possible conflict with the other side. Manufacturers are by no means able to afford any unexpected expenses such as violation of partnerships with large retail chain these days. For this reason, in the situation of the contemporary development of the retail market, the producers are putting a very important task of the development of sales staff and awareness of the importance of their role and responsibilities if they want to develop partnerships with large retailers.

In conclusion, the attitude is that if they want to develop partnership and long-term marketing relationships with large retail chains, the producers have to have the ability to conduct high-quality cooperation with other participants in marketing channels. There is, above all, the need for manufacturers to develop vertical relations forward with the very retailers, vertical relations back with their own suppliers in order to be able to meet the requirements in terms of product characteristics and the like, to have developed collaborative relationships with its representative offices or branches on a specific market. We should bear in mind the fact that when it comes to a small manufacturer it is able to establish relations of horizontal cooperation with other manufacturers in order to be able to meet the requirements of large retailers for quantities. All this is not a small request to the producers and requires significant adjustments and investments. Networking and partnership development, primarily long-term relationships, become fundamental matrix of thinking of all including these participants in marketing channels in the conditions of contemporary market environment.

On the other hand, in the increasingly severe competition on the retail market, retailers are becoming more aware that „in an organizational setting, the importance of buyer-seller relationship is essential for the better performance of organization" (Mishra, 2011, p. 27). In this sense, modern retailers will seek to develop relationships with suppliers so that they correspond to the operational practices of their own organizations, their own "operating system". However, given the need to develop long-term partnerships with its suppliers, they must bear in mind that creating a successful partnership is based on a "win-win" situation with a certain level of satisfaction for both partners, mutual respect, a clear understanding and responsibility. For the success of this relationship, mutual trust and sharing the vision of long-term duration of their relationships are necessary.

5. EXCLUSIVE AND STRATEGIC AGREEMENTS BETWEEN MANUFACTURERS DOMINANT RETAILERS

In such conditions where the concentration and the power of retailers are on the increase, stable and long-term business partnerships between manufacturers and retailers are even more difficult to achieve. For this reason, these channel members are ready to accept certain restrictions in their relationships, depending on individual power and position. Exclusive arrangements are significant in situation of the efforts of manufacturers to provide a stable access to consumers. In this way, manufacturers strive to achieve a higher level of stability, predictability and control over the whole way of their products to consumers, turning to, above all, less powerful retailers, which these arrangements consider useful for the improvement of their own position.

Exclusive arrangements between channel members at different levels of distribution are contracts that involve the acceptance of certain restrictions in respect to the activities of one partner, such as limitations in terms of geographical areas in which they operate, the scope of the assortment and the like. Purpose of the manufacturer is to be able to, through contractual restrictions with the retailer, achieve long-term stable partnership with the better performance of existing tasks in retail, to introduce new activities, a higher level of innovation and further investment on the side of retailers, primarily in order to improve sales and strengthen the image of the manufacturer's products in the eyes of consumers.

The manufacturer would be able to contract limitations regarding the retailer selling brands of the competing manufacturers but only with those who recognize it as their own interests. In addition, when the manufacturer negotiates exclusive sales contracts on a given market area, the responsibility for the result, primarily sales and product image, switches to a single retailer. In this case, a higher level of awareness of manufacturers' own responsibility will activate retailer to additional investment and fairer enforcement tasks. Furthermore, the investments will stop him from moving to the opposite direction from the one set by contract and will be less interested in development of cooperation with competitors. Not only that but long-term partnership is encouraging retailers to keep those manufacturer's products which there is less demand for.

With the development of increasingly strong mutual trust retailer will provide more opportunities for manufacturers to propose and create their activities and influence the adoption of a number of decisions on the retail side. The development of mutual relations of manufacturers and retailers will mean the possibility of taking stronger control by the manufacturer. An example of this is the situation of exclusivity in certain sales transactions when the dependence of the retailer from the manufacturer is in maximum, because retailer does not even procure products of competing manufacturers and neglects any relation to them.

Together with the ability to exercise control over the decisions that are made, bargaining power of exclusive manufacturers grows. It is important first of all because of the management of commercial communication regarding the basic elements of the contract that directly affect the profitability, such as the transaction price at which the retailer buys products from manufacturers and the period in which the payment is made.

In addition, no less important is the question of implementation of marketing activities. The manufacturer was very interested to influence the definition and implementation of policies assortment, merchandising, promotions, retail price formation, consumer service and the like, which is essential for creating the image of its products and the realization of its own marketing strategy. Implementation of these activities is usually left to the side that on the basis of greater knowledge and experience that makes it more efficient. It should be noted that the bargaining power they had gained through the implementation of exclusive arrangement allows the manufacturer to, in their own interest, strongly manage in these areas too.

Besides these one-way arrangements, where in the first case the manufacturer accepts the restriction that the products can only be delivered to one retailer, restricted to a specific market area, and in the second case where the retailer accepts the limitation to purchase and sell the goods of only one manufacturer, there are the two-way arrangements where, at the same time, the manufacturer and retailer accept limits. A manufacturer commits to exclusivity in the sale ('not selling to competing retailer"), and retailer, at the same time commits to exclusivity in the acquisition ("not to buy from competition"). In this situation, allocation of exclusivity in sales in a particular market area of a particular retailer, by the manufacturer, is conditioned by the fact that the retailer does not sell competing products.

The danger of restricting competition is understandable when one considers that the key objective of exclusive contracting arrangements is to exercise control within the marketing channel that one of the members takes, in our case being the manufacturer. Whether vertical restraints will give only positive effects or it will, on the basis of taking strong control by one member, restrict competition, depends on the existing market structure, what is required assessment of the specific case for. The basic criterion for this is that the exclusive arrangement does not limit the selection of products for consumers in a particular market area.

Also, on the other hand, manufacturers are trying to mitigate the impact and power of large retail members and by initiating and implementing joint marketing initiatives with less powerful retailers. With this strategic response to the weak retailers and accepting the offered possibilities of developing cooperation with them, the producers divert consumers from the marketing channel with dominant retailers, where they have lower wholesale prices, to channels with weak retailers, which include higher wholesale prices and potentially higher profits.

These strategic marketing activities carried out with weak retailers may be, in certain situations, a very useful way for the manufacturers to deal with the threat of powerful retailers. However, the collaboration with the dominant retailers quite often brings many benefits for manufacturers and enables the achievement of higher levels of profitability. This is primarily due to the possibilities of a wide and intensive coverage of the market, taking advantage of economies of scale, lower transaction costs and the like. In these cases, the redirection of the demand for products from the channel with powerful retailers in the channel with less powerful retailers meant the wrong decision.

The conclusion is that the emergence of dominant retailers with significant negotiating power, and cost advantages do not necessarily have to put producers in a worse position. This spites the fact that dominant retailers force producers with lower wholesale prices, contrary to its retail competitors, in respect to those who have better negotiating position. Dominant retailers with their lower costs strategically associate producers by providing them with possibilities for a higher level of profitability and increased market share.

6. CONCLUSION

Analysis of the effect of strengthening the power of retail chains on the competitive position of manufacturers in marketing channels and relationships with manufacturers of large retailers suggests that the expression of their market and purchasing power can have a very noticeable effect on the position of manufacturers. Everyone, especially smaller manufacturers, is being strongly affected by a situation where they are unable to resist purchasing power of retailers. This is when they, feeling under pressure, first of all lower their prices to a level that quite often only a few of them can withstand in the long term. In such a situation, their sustainable growth and development comes into question.

However, manufacturers which are able to work with large retailers often express high levels of satisfaction with this cooperation. Also, those who have failed to find a way to found and/or maintain such cooperation intensively try to do so. First of all it is necessary to develop long-term stable relationship between manufacturers and retailers responsible for the distribution of their products.

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