DISTRIBUTIVE TRADE'S SIGNIFICANCE IN NATIONAL ECONOMY

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ABSTRACT. Background: The paper analyzes a significance of distributive trade in contemporary national economies of select European countries (10) from the point of view of employment, gross value-added creation, supply chain establishment, and international expansion. A cause for the paper is a dissatisfactory level of economic development of certain transitional countries on one side and the high distributive trade shares (especially in the number of employees and in the GDP) on the other side.

Methods: Distributive trade's significance for a country is analyzed entirely and segmental. The data collected by Eurostat and Deloitte are analyzed and depicted graphically via usual statistical methods (relative numbers, indices and shares, tabulation and graphical depictions).

Results: The results of the research conducted should confirm a thesis on distributive trade's significance based on its shares in the economic structure; however, as an integrator in the value-creating chains, distributive trade has different significance for certain national economies, for the large-sized companies and groups (especially the retailing ones) are also expanded internationally, along with their supply chains. Equally, all the divisions within distributive trade do not have equal significance for the economic development in all countries. The significance of distributive trade varies in different countries equally, all the divisions within distributive trade do not have equal significance for the overall country's economy, as well as for a launch of its economic development. Nevertheless, it should be necessary to analyze concentration and internationalization in detail for the sake of an evaluation of distributive trade's significance as an integrator in value-creating chains. In that respect, some transitional countries observed do lag behind.

Key words: distributive trade, wholesale trade, retail trade, number of employees, supply chains.

INTRODUCTION

The paper primarily defines and analyzes distributive trade both from a point of view of an activity (division) and from a point of view of its organizational and cooperative forms, based upon accessible literature, as well as upon the Eurostat definitions and classifications. Especially emphasized is the significance of retail trade in contemporary processes of business concentration and internationalization. Subsequently analyzed are various approaches to the importance of distributive trade in an economic structure, i.e., in distributional channels and the entire supply chains, as well as in the integration and initiation of other activities.

For select countries (Austria, Finland, FRG, Italy, the Netherlands, Croatia, Hungary, Slovakia, Czech Republic and Poland), the significance of distributive trade is primarily analyzed from a point of view of its share in the number of enterprises, number of employees, and in the gross value-added, and the importance of retail trade and wholesale trade within a national economy and within an international distribution is subsequently separately analyzed.

The paper's aim is to signify the importance of distributive trade for the economic
development of a country, as well as a necessity to select the new indices to evaluate this significance.

**DISTRIBUTIVE TRADE AND ITS MANIFESTATIONS**

The topic of our analysis is distributive trade as an economic activity performed by its incumbents—the companies and their cooperative forms.

According to the Statistical Classification of Economic Activities in the European Community [Eurostat 2008], distributive trade incorporates wholesale and retail trade (i.e., a sale without transformation) of any type of merchandise and the rendition of ancillary services while selling the merchandise. Thus, the overall distributive trade (Section G-Wholesale and Retail Trade: Repair of Motor Vehicles and Motorcycles) is comprised as follows:

- Division 45 (wholesale and retail trade and repair of motor vehicles and motorcycles);
- Division 46 (wholesale trade except motor vehicles and motorcycles);
- Division 47 (retail trade except motor vehicles and motorcycles).

The paper will also use the term "wholesaling" for wholesale trade, while the term "retailing" will also be used for the retail trade.

Nowadays, the characteristics of their purchasers are significant for a distinction between the wholesale and retail trade [Statistical Classification 2008]. In wholesale, the purchasers are the receivers who utilize a merchandise for further economic activities, while it pertains to the servicing of an end consumer or of an end user as a purchaser in the retail trade [cf. Lerchenmüller 2003].

Distributive trade is carried out by economic entities, i.e., by companies, in the activities specified in Divisions 45, 46, and 47.

The topic of our consideration are all the organizational forms of distributive trade; however, in a general sense, a term "enterprise" will be used, as an organizational unit for the production of goods and services enjoying certain degree of autonomy in decision-making, especially in the investment of current funds [Statistics Explained: Glossary, Eurostat 2015]. In that sense, the term "retailer" and "wholesaler" will be used for the enterprises in the domain of wholesaling and retailing.

Large-sized enterprises, companies, i.e., the groups thereof, are formed in the processes of concentration. In that sense, the so-called "retail chains" are especially important within distributive trade.

A retail chain is a company doing its business with many jointly owned retail units and usually has a centralized decision-making for a definition and implementation of its strategy. Some retail chains are the divisions of larger corporations or holdings [Levy, Weitz, 2012].

As it is known, retail and wholesale activities are intertwined within a retail chain. Namely, a tendency to vertically integrate retailing and wholesaling is connected to with the development of a concentration process. Furthermore, the large-sized retailers are also connected with the producers (both on a domestic and on an international market), predominantly based on trademarks (as well as on other cooperation forms). A special business concept of Supply Chain Management (SCM) is being developed, so that the entire supply chains become competitive. In that respect, the phrase of a "retail supply chain" may be used when a large-sized retailer (retail chain) dominates a supply chain.

Therefore, a supply chain is a value-creating chain. As each product or service has a value-creating chain of its own, the retailers and wholesalers are actually the integrators of various value-creating chains. In that sense, the gross value-added indices especially important for each economic activity [Statistics Explained: Glossary, Eurostat 2015].

In certain fields, e.g., in the grocery sector, the greatest power is exercised by the retail supply chains [Dujak 2012], whereas
producers dominate the supply chains in certain domains.

**VIEWPOINTS ON THE SIGNIFICANCE OF DISTRIBUTION CHANNELS AND DISTRIBUTIVE TRADE**

The distributive trade significance is mostly seen in its functions, performed more successfully and efficaciously than other participants in distribution channels, i.e., in the overall supply chains.

**Distribution Channel Significance**

In modern conditions, the importance of distribution channels for an economy especially emanates from system development and channel integration. E.g., the vertical marketing systems in the US presently cover 70 to 80% of merchandise market for the end consumers [Kotler and Keller 2006].

Additionally, vertical marketing systems are also especially significant from the point of view of a country’s foreign trade exchange, since the possibilities and necessities to develop the entire supply chains are immediately created by the entrance of large-sized retail chains in the country, irrespective of which producers will become the members thereof. This means that a new competition in retailing is also emergent through the development of vertical marketing systems, for the vertical marketing systems may launch a production of their own and detour the producers present heretofore (even the major ones) [Kotler, Keller 2006].

In that way, the importance of a distribution channel for a national economy is actually reflected in the activities of its business entities (disregarding whether they are merchants or producers or other services) on whatever market, domestic or a foreign one.

**The Importance of Wholesaling**

It has been known that wholesaling is important in a national economy due to the performance of its functions, especially because of a decrease in the number of contacts, quantitative and assortment regrouping, and a surmount of spatial and temporal differences when exchanging the merchandise among a distribution channel participants. While aggrandizing both the retailers and producers, the wholesalers lose the positions they have occupied heretofore, but they also find their new functions connected to the execution of marketing and logistic tasks.

The wholesalers are important when they are more efficacious than other distribution channel participants when performing their functions [Kotler et al. 2003; Kotler, Keller 2006].

It is especially significant that the wholesalers continue to develop their services for the retailers. Additionally, they have also been developed in the sense of their business globalization, being confronted with a slow-paced growth on domestic markets [Kotler et al. 2006].

**The Importance of Retailing**

As well as the wholesalers, the retailers are important in an economy due to their performance of functions [Levy, Weitz 2012].

It is known that a retailer activity is also significant for the level of population's living standard. Namely, the retailers bear responsibility for an encounter of consumers’ individual demand with an enormous quantity of merchandise supplies. Hereby, one may also emphasize the significance of retailing due to its influence exerted on a consumer's lifestyle [Dunne, Lush 2008].

Retailing is especially important because of both a design and spatial deployment of stores and because of distant sale (e.g., online retailing). It works not only in the function of population supply on locations in a proximity to the consumers but also in the function of satisfaction of consumers' needs and desires from a closer and/or a more remote environment (e.g., while attracting rural population to the municipal or suburban malls, attracting the shopping tourists, by Internet
-sale, and the like). Equally important are the stationary stores' working hours, for the retail trade is a tertiary activity. It thus also pertains to a consumer timesaving enabled while purchasing in a mall. It is especially visible in the countries wherein retailing has not been on a necessary level, as it was the case in Bulgaria [Dunne, Lush 2008].

Generally, one may cite Wal-Mart (the world's largest retailer headquartered in the US) contribution to the American economy as an example of retail's contribution to the economic development. Namely, in 2004, Wal-Mart annually increased its discretion income by ca. 1% due to its low prices, having thus provided a great contribution to the US economy. Specifically, with an "Every Day Low Prices" (EDLP) concept, Wal-Mart was successful in its contribution to a low inflation. [Dunne Lush 2008]. This topic is covered also in the literature quoted heretofore.

In any case, retailing in a national economy is important especially for its being one of the most represented activities according to the number of employees and its contribution to the GDP (Fernie et al., 2003, p. 1). In the US, approximately 8.1% of GDP was realized by retailing in 2007 [ Dunne, Lush 2008].

Traditionally, retailing is "local." Nowadays, however, retailing is considered a "global industry," though most companies still have a local preponderance. Thus, 95% of companies in the US have a single store, and less than 1% has more than 100 stores [Dunne, Lush 2008].

A special retail's significance is in the fact that the retail chains are expanded internationally and globally and dramatic changes occur in the contemporary concentration and internationalization processes [Wortmann 2003].

A retail concentration is significant, for only large-sized retail companies, groupings, or corporate establishments may deploy the attainments of a modern technical-technological progress and realize a satisfactory development through its market expansion, as it is known [Segetlija, 2012].

SELECT INDEX ANALYSIS

The importance of distributive trade (especially that of a retail one) is analyzed by various indices (cf. Knežević, 2011, pp. 429 - 440; Segetlija, 2012, pp. 56f). This paper has primarily analyzed the following shares of distributive trade (and its divisions) as the indices of distributive trade significance in contemporary conditions in select countries: (a) in the overall number of employees; (b) in the overall number of enterprises; (c) in the gross value-added.

Subsequently, analyzed is the importance of modern retailing based upon the following indices:
(a) retailing turnover share in GDP with regard to the economic development level;
(b) significance of global retailers in select countries with regard to their size and share in the overall revenues of the Top 250 Global Retailers.

Table 1 depicts the shares of the overall number of employees in distributive trade (and its divisions) in the overall number of employees in select European countries.

It can be seen in Table 1 that a share of the number of employees in distributive trade differs per countries and that distributive trade is an especially significant activity according to the index. The largest shares in the number of employees in retailing are those in the Netherlands and Croatia, although their economic development levels are unequal (Fig. 1).

Therefore, distributive trade records outstanding shares in the number of employees even in some less developed countries (e.g., in the Republic of Croatia), for these countries have developed disproportionally [Segetlija, 2010].

Table 2 depicts the shares of the overall number of distributive trade enterprises in the overall number of enterprises in business economy in the countries observed.
Table 1. Distributive trade shares in the overall number of employees in select countries in 2012

<table>
<thead>
<tr>
<th>Ordinal</th>
<th>Country</th>
<th>Total number of employees in thousands*</th>
<th>Share on employment in percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Austria</td>
<td>4,183.7</td>
<td>1.7</td>
</tr>
<tr>
<td>2.</td>
<td>Finland</td>
<td>2,483.2</td>
<td>1.5</td>
</tr>
<tr>
<td>3.</td>
<td>Germany</td>
<td>39,126.5</td>
<td>1.8</td>
</tr>
<tr>
<td>4.</td>
<td>Italy</td>
<td>8,424.2</td>
<td>1.0</td>
</tr>
<tr>
<td>5.</td>
<td>Netherlands</td>
<td>22,898.7</td>
<td>1.4</td>
</tr>
<tr>
<td>6.</td>
<td>Slovakia</td>
<td>2,329.0</td>
<td>0.8</td>
</tr>
<tr>
<td>7.</td>
<td>Czech Republic</td>
<td>4,890.0</td>
<td>1.2</td>
</tr>
<tr>
<td>8.</td>
<td>Poland</td>
<td>15,589.7</td>
<td>1.0</td>
</tr>
<tr>
<td>9.</td>
<td>Hungary</td>
<td>3,877.9</td>
<td>1.5</td>
</tr>
<tr>
<td>10.</td>
<td>Croatia</td>
<td>1,445.9</td>
<td>1.3</td>
</tr>
</tbody>
</table>

* Resident population concept, total employment, annual averages

Source: Eurostat 2015.

Table 2. Distributive trade shares in the overall number of enterprises in select countries in 2011

<table>
<thead>
<tr>
<th>Ordinal</th>
<th>Country</th>
<th>Total number of enterprises*</th>
<th>Share on number of enterprises in percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Austria</td>
<td>304,272</td>
<td>3.2</td>
</tr>
<tr>
<td>2.</td>
<td>Finland</td>
<td>225,913</td>
<td>4.2</td>
</tr>
<tr>
<td>3.</td>
<td>Germany</td>
<td>2,158,094</td>
<td>4.7</td>
</tr>
<tr>
<td>4.</td>
<td>Italy</td>
<td>3,843,454</td>
<td>3.1</td>
</tr>
<tr>
<td>5.</td>
<td>Netherlands</td>
<td>803,873</td>
<td>3.4</td>
</tr>
<tr>
<td>6.</td>
<td>Slovakia</td>
<td>414,905</td>
<td>2.2</td>
</tr>
<tr>
<td>7.</td>
<td>Czech Republic</td>
<td>1,004,565</td>
<td>3.3</td>
</tr>
<tr>
<td>8.</td>
<td>Poland</td>
<td>1,523,418</td>
<td>5.5</td>
</tr>
<tr>
<td>9.</td>
<td>Hungary</td>
<td>550,259</td>
<td>3.6</td>
</tr>
<tr>
<td>10.</td>
<td>Croatia</td>
<td>153,687</td>
<td>3.5</td>
</tr>
</tbody>
</table>

* Total business economy, repair of computers, personal and household goods, except financial and insurance activities.

Source: Eurostat 2015.
Various distribution structures in certain countries are not a reflection of the economic development level. One may especially observe that the shares of retailing in the overall number of employees in transitional countries do not lag behind the shares in the economically and market-developed countries.

Fig. 2 depicts the distributive trade shares in the gross value-added in select countries in 2011. It is interesting to note that Poland has recorded the highest distributive trade share in the gross value-added (GDP) of all the NACE activities (NACE is a statistical classification of economic activities in the European Community (in French: Nomenclature statistique des activités économiques dans la Communauté européenne). NACE is a European industry standard classification system consisting of a 6-digit code).

As to evaluate the significance of retailing in the national economies of select countries, Fig. 3 depicts the shares of retail turnover in the GDP, with regard to the per capita GDP amount (in PPS).

Fig. 3 circumstantiates that the countries with a low level of per capita GDP realized have higher shares of retail turnover in the GDP. This disproportion might have been accomplished due to the consumption wherefore a value had not been created but credited. Retailing in those countries has a great significance because of high shares in the

- **Austria**
- **Germany**
- **Italy**
- **Netherlands**
- **Slovakia**
- **Czech Republic**
- **Poland**
- **Hungary**

**Source:** Eurostat, 2015.

**Fig. 2. Distributive trade shares in the gross value-added (in percent) in all NACE activities in select countries in 2011**

**Rys. 2. Udział gałęzi handlu w wartości dodanej brutto (w procentach) w obrębie wszystkich działań NACE w wybranych krajach w 2011**

**Fig. 3. Retail trade turnover share in GDP (in percent) and GDP per capita in select countries in 2013**

**Rys. 3. Udział handlu detalicznego w PKB (w procentach) w wybranych krajach w 2013**
number of employees and in the number of enterprises, but it stimulates other activities (as a supply chain integrator) insufficiently.

The importance of retailing with regard to a possibility of its international expansion and supply chain management, thus also pertaining to the stimulation of other companies to create the GDP, may be assessed concerning the numbers and shares of large-sized retailers.

Table 3 depicts major data for an evaluation of importance of retailers headquartered in the European countries belonging to 250 of the largest retailers globally.

Table 3 excludes the retailers from Slovakia, Czech Republic, Poland and Hungary, for their retailers have not reached a size necessary to enter among 250 largest retailers.

<table>
<thead>
<tr>
<th>Ordinal</th>
<th>Country</th>
<th>Number of companies</th>
<th>Number of single country operators</th>
<th>Average retail revenue* (US$ mill.)</th>
<th>Share of Top 250 revenue (in percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Austria</td>
<td>2</td>
<td>0</td>
<td>7,632</td>
<td>0.4</td>
</tr>
<tr>
<td>2.</td>
<td>Finland</td>
<td>2</td>
<td>0</td>
<td>11,005</td>
<td>0.5</td>
</tr>
<tr>
<td>3.</td>
<td>Germany</td>
<td>17</td>
<td>1</td>
<td>27,060</td>
<td>10.6</td>
</tr>
<tr>
<td>4.</td>
<td>Italy</td>
<td>5</td>
<td>1</td>
<td>9,219</td>
<td>2.0</td>
</tr>
<tr>
<td>5.</td>
<td>Netherlands</td>
<td>4</td>
<td>1</td>
<td>35,045</td>
<td>3.2</td>
</tr>
<tr>
<td>6.</td>
<td>Croatia</td>
<td>1</td>
<td>0</td>
<td>4,011</td>
<td>0.1</td>
</tr>
<tr>
<td>7.</td>
<td>Europe</td>
<td>90</td>
<td>20</td>
<td>18,840</td>
<td>38.9</td>
</tr>
<tr>
<td>8.</td>
<td>Top 250</td>
<td>250</td>
<td>87</td>
<td>17,418</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: Global Powers of Retailing 2015, Deloitte 2015

CONCLUSIONS

Even in contemporary conditions, distributive trade has a great importance for the economy, but all the divisions thereof do not have an equal importance. Equally, the significance of distributive trade, measured by the shares in the number of employees, in the number of enterprises, and in the gross value-added, has different preponderance for different countries. A mere level of economic activity of a country but also an economic policy in a given period is decisive for the importance of distributive trade in that sense.

Due to the progressed concentration processes, business internationalization, and the establishment of large-sized companies that for the supply chains of their own, a significance of distributive trade should be analyzed according to the business results achieved by the large-sized retailers and wholesalers in an international perspective as well. In that sense, the transitional countries observed lag behind.

REFERENCES


ZNACZENIE HANDLU HURTOWEGO I DETALICZNEGO DLA GOSPODARKI NARODOWEJ

STRESZCZENIE. Wstęp: W pracy zaprezentowana analizę handlu hurtowego i detalicznego we współczesnych gospodarkach rozwijanych na równiach europejskich (10) z punktu widzenia zatrudnienia, tworzenia wartości dodanej brutto, tworzenia łańcucha dostaw oraz międzynarodowej ekspansji. Powodem rozpoczęcia prac był z jednej strony niezadowalający poziom rozwoju ekonomicznego niektórych państw, będących w okresie transformacji, z drugiej zaś strony duży udział tego handlu w gospodarce (szczególnie pod względem liczby zatrudnionych osób oraz udziału w tworzeniu PKB).

Metody: Przeanalizowano znaczenie handlu detalicznego i hurtowego dla kraju w ujęciu całkowitym i częściowym. Dane pozyskane z Eurostat I Deloitte’a zostały poddane analizie statystycznej I zaprezentowane graficznie (wartości względne, wskaźniki i udział, wykresy).
Wyniki: Otrzymane wyniki pracy powinny potwierdzać tezę o istotności omawianego handlu w oparciu na udział w strukturze ekonomicznej, jednak jak integral w łańcuchach tworzących wartość, handel ten ma różne znaczenie w różnych krajach oraz w zależności od wielkości przedsiębiorstw lub ich grup (szczególnie w przypadku handlu detalicznego), ze względu na ich zasięg międzynarodowy.

Wnioski: Poddany analizie handel ma różne znaczenie dla rozwoju ekonomicznego w poszczególnych krajach. Poszczególne rodzaje handlu mają różne znaczenie w różnych krajach dla gospodarki narodowej jak również dla rozwoju gospodarczego. Niemniej jednak należałoby przeanalizować koncentrację i międzynarodizację handlu detalicznego w celu określenie bezpieczeństwo rozwoju znaczenia badanego handlu, jako integratora łańcuchów tworzących wartość dodaną. Pod tym względem pominęto niektóre kraje będące w okresie transformacji..

Słowa kluczowe: handel detaliczny, handel hurtowy, liczba zatrudnionych, łańcuch dostaw

DIE BEDEUTUNG DES GROß- UND KLEINHANDELS FÜR DIE VOLKSWIRTSCHAFT


Methoden: Es wurde die Bedeutung des Groß- und Kleinhandels für das betreffende Inland in der teilweisen und holistischen Betrachtung analysiert. Die von Eurostat und Deloitte gewonnenen Daten wurden einer statistischen Analyse unterzogen und grafisch (Relativwerte, Kennziffern und Anteilwerte, Diagramme) projiziert.

Ergebnisse: Die ermittelten Forschungsergebnisse sollen die These über die Relevanz der betreffenden Handelskategorien in Bezug auf deren Anteilnahme an der Wirtschaftsstruktur bestätigen, allerdings haben die Kategorien des Handels als Integratoren der wertschöpfenden Lieferketten in verschiedenen Ländern unterschiedliche Bedeutung, und dies in Abhängigkeit von der Größe eines Unternehmens oder einer Unternehmensgruppe (besonders im Falle des Kleinhandels), bedingt durch das internationale Ausmaß deren Betätigung.

Fazit: Die anlysierten Handelskategorien spielen unterschiedliche Rolle bei der wirtschaftlichen Entwicklung der einzelnen Länder. Die betreffenden Handelszweige haben unterschiedliche Bedeutung für die Volkswirtschaft und die wirtschaftliche Entwicklung der betrachteten Länder. Nicht desto weniger sollte man Konzentrierung und Internationalisierung des Kleinhandels als Integrator der wertschöpfenden Lieferketten zwecks der Bestimmung der Bedeutung dieses Handelszweiges in Angriff nehmen. In dieser Hinsicht hat man jedoch manche, in der Transformationsphase befindliche Länder außer Acht gelassen..

Codewörter: Kleinhandel, Großhandel, Anzahl der Erwerbstätigen, Lieferkette

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