

*LEIBNIZ-INSTITUTE OF
AGRICULTURAL DEVELOPMENT
IN CENTRAL AND EASTERN
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Retail globalisation –
***What happens to the local suppliers
in Central and Eastern Europe?***

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Background and motivation:

- Rapid internationalisation of the retail sector in CEE countries
- In some countries the main players - multinational retailers
- Western retailers in CEE – spread of business model
- Consequence on the agri food business of CEE
- Main drivers of structural change

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Aims:

- Explore the process, current situation and future development of **retail internationalisation in CEE**
- Elaborate on the consequences on the **suppliers**

Methods:

- Journal articles
- Consultancy studies
- Secondary data

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Since the 1990th rapid internationalisation

Retail waves according to the development of the retail system:

- **First wave countries (e.g. Hungary, Czech Republic)**
- **Second wave countries (e.g. Bulgaria)**
- **Third wave countries (e.g. Russia)**

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Drivers of retail internationalisation:

- Stagnating home markets
- Capability of large retailers to disrupt the markets
- Transition: absence of modern retail
- Rising income in CEEC
- WTO and EU

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Changes in the procurement system:

- Shift from local store-by-store procurement to (nationally centralized) large and modern distribution centres
- Shift to regionalization of procurement over countries
- Shift from traditional brokers to new specialized wholesalers

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Changes in the procurement system:

- Shift to increasing use of global logistic firms
- Shift to preferred supplier systems
- Shift to high private standards of quality and safety

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Consequences catalysed by retail internationalisation:

- Verticalisation
- Supply chain management tools
- International competition
- New opportunities

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Classification of food producers:

- 1) Large diversified multinationals
- 2) Specialised multinationals
- 3) Medium sized national suppliers
 - National cost leaders
 - Product differentiation
- 4) SMEs who produce mainly private brands
- 5) Small food companies producing for local or niche markets

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Multinationals: strong brands -> just marginally affected

National cost leaders:

- growing competition -> price competition -> need to increase efficiency -> demand for organisational and technology innovation -> consolidation
- international supply, increasing market share

Medium sized companies - product differentiation: just similar not substitute products -> no significant consequence

SMEs who produce private brands: demand for private branded products rises -> growth opportunities -> winners of internationalisation?

Small firms:

- given demand for local foods -> no significant impact
- opportunities, piggyback process

Farmers - required to build horizontal cooperation

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Retail business in CEE - significant changes

New business model, new quality requirements

Growing competition

National cost leaders - biggest impacts

Farmers - horizontal cooperation

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Thank you for your attention!

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