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Some Questions of the Hungarian Market Practice

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ABSTRACT— ***The investigation of market forms the centre of economics as a social science. The economics of commerce as applied economics can be analysed by investigating factual statistical figures. In Hungary, commerce is undergoing significant changes nowadays since it affects consumption. The impact is mutual.***

Market is presented from a practical point of view; the composition of purchase, the features of shop network is changed because of the transformation of the factors affecting the purchase of consumers. The classification of retail trade according to several viewpoints, the range of arrangement of trade data show the modification following the crisis.

Keywords—market, crisis, retail, consumption

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1. THE PRACTICE OF MARKET

The 'main scene' of our everyday economic life is market. It has an effect on the participants of economy, their behaviour, decision processes, and it is perceptible for everybody. It works as a result of the division of work. As an economic branch and a part of applied economics, it functions in the form of trade; it intermediates between production and consumption by insuring the process of getting the produced goods from the producer to the consumers.

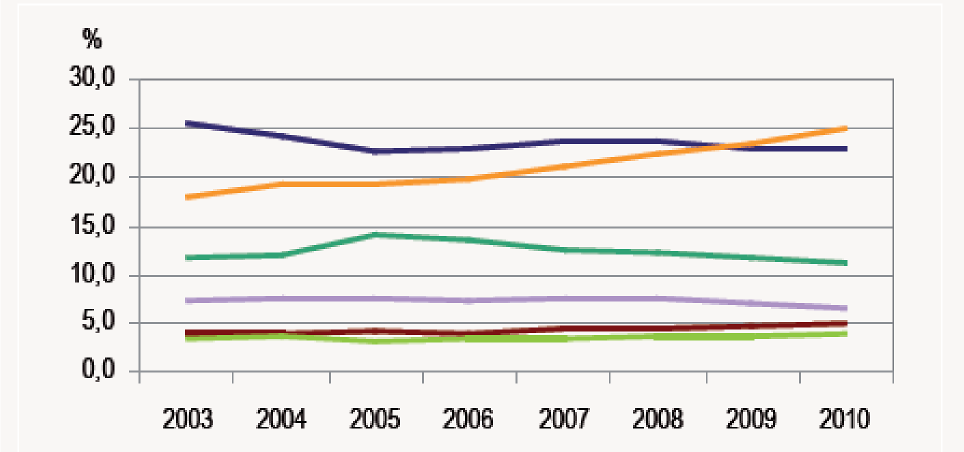
The process in which the market behaviour of producers is in harmony with that of consumers at local, national or even at world economic level, is formed in the course of a complicated systems of relationships. Its theoretical basis can be found in microeconomics.

Using a practical approach, market can be described – among others – with the following characteristics:

- As a subsystem of economy where the participants of the market are sellers, buyers and goods. Between them, decision is made on the grounds of their individual interests through which they can influence economy. It's the consumers' interest to maximize their utility whereas producers strive after maximizing their profit.
- As a self-organizing system it is in a constant movement according to experience that is why it is often instable. The participants of market can be characterised with a permanent learning, amending process.
- As an open system, it exists in a concrete space and time, it is in a constant relationship with its surroundings; there is a wide range of exogenous factors. By means of feedback, it forms a steady system.

According to Polányi: „Market trade and eventually modern market economy has not been developed from the growth of tiny origins but the meeting of originally separate developments being independent of each other.'

Market is in a constant change, theory tries to follow the modifications appearing in practice with a certain delay in time – sometimes it is successful, sometimes it fails. Let us look at the changes on the side of demand. Consumers are affected by environmental conditions with the change of which new preferences can be formed (e.g. because of the rise in temperature, air conditioners have become necessary thus its demand is on the increase these days). The following illustration shows how the system of consumption has been modified:



Foodstuff and non-alcoholic drinks
Housing, household energy
Health care
Traffic and transportation
Catering and accomodation
Other prosducts and services

Figure1: Transformation of the System of Consumption between 2003 and 2010
Source*: http://www.piackutatasok.hu/2011/12/ksh-1-fogyasztasi-kiadasok-szinvonala.htmlhttp://www.piackutatasok.hu/2011/12/ksh-1-fogyasztasi-kiadasok-szinvonala.html* downloaded on 28.07.2012

While the proportion of foodstuffs and non-alcoholic drinks was the highest in 2003, it took the second place in 2010 as it was preceded by the consumption spent on housing, household energy in which there was a significant rise in the period investigated. There was a slight increase in the expenditure concerning health; the proportion of catering and services of accommodation was almost unchanged. The proportion of foodstuffs and non-alcoholic drinks as well as that of transportation and traffic decreased.

Consequently, it is important to follow with attention the consumers' demand. It is a common interest of market participants. Preferences have a significant role in the demand of consumers. Metcalf's investigation stated that consumers' preferences were affected by their social context, political attitude. Social, political impacts can appear, on the one hand, as a simple social expectation (e.g. dressing at balls), and on the other hand in the form of laws (e.g. where it is forbidden to smoke). All this must be taught and learned in order that consumers can get to know the customs, which are inborn and/or acquired in the family, according to the Zeitgeist. Like this, the feeling of want and – as a consequence – the system of the consumers' demand will be changed. Technological changes, product innovation, promotions, communities, etc. also have an important impact on consumers' demand

Consumers assert their demand in trade. Without trying to offer a complete list, let us have a look at the points of view which consumers take into consideration while choosing the shop to purchase goods:

- Range, assortment of products provided,
- Type, features of trade unit,
- Location, size of trade unit,
- Image of trade unit,
- Price level used in the trade unit,
- Promotion activity applied by the trade unit, etc.

ASSAEL's model of choosing shops (1984) is well known. It is shown by Fig. 5, it comprises all the important steps which are employed by the consumers during sorting the shops and which have an effect on their decisions.

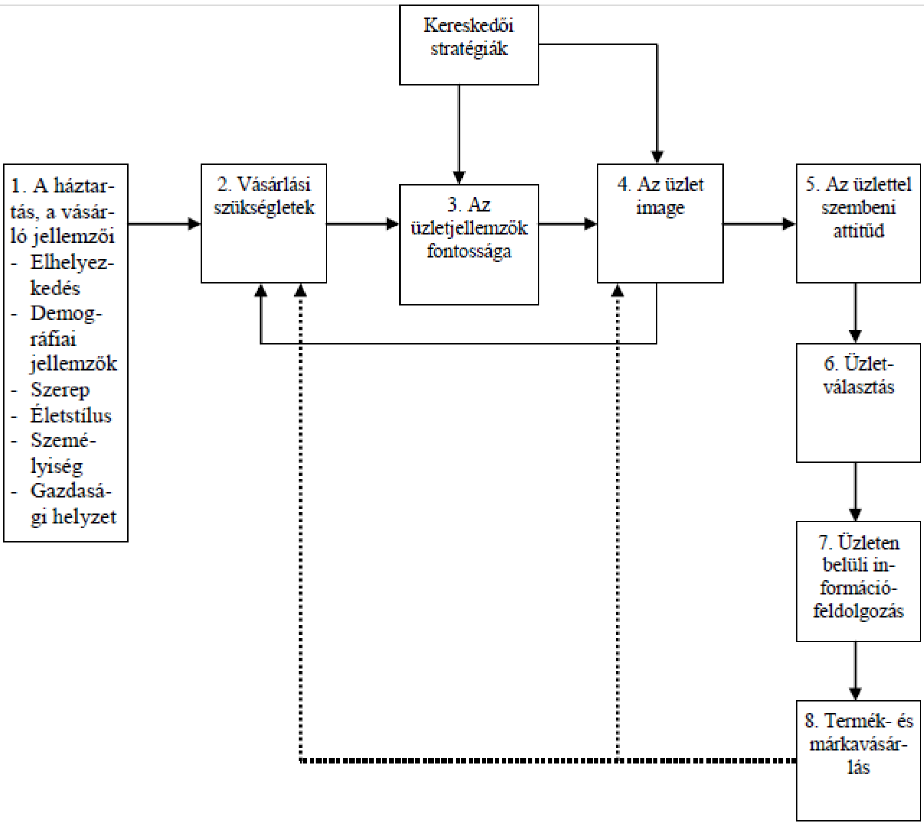


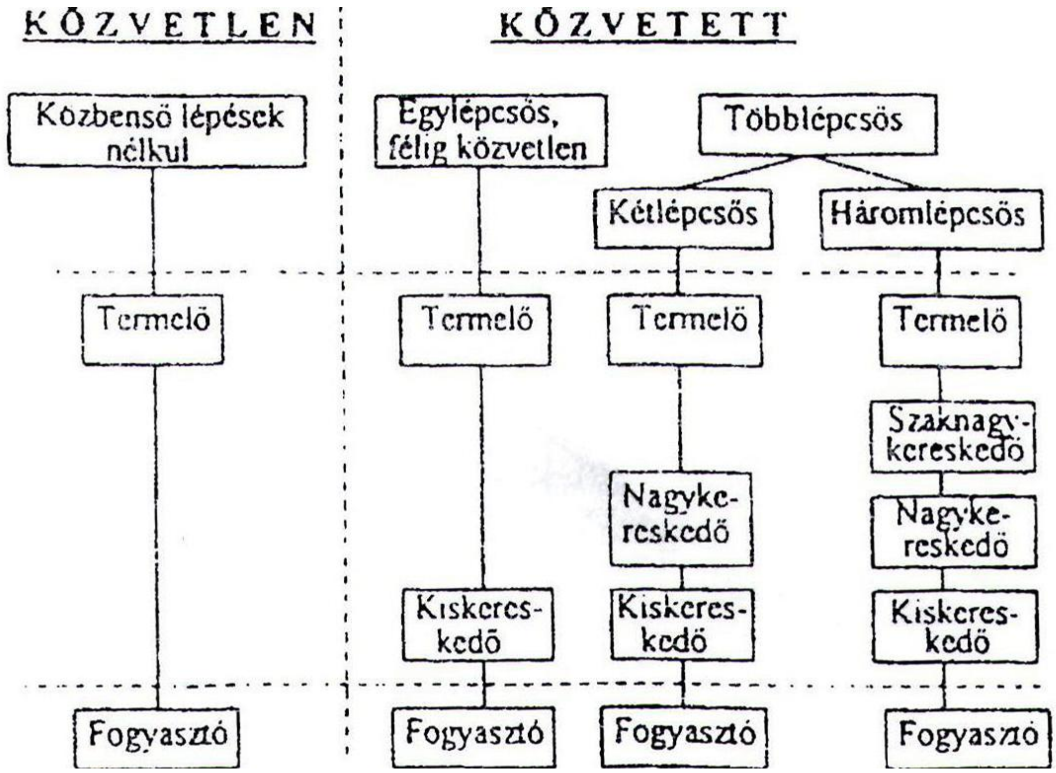
Figure2: Model of choosing shops
Source: Assael, 1984

Kereskedői stratégiák: Commercial Strategies
A háztartás, a vásárló jellemzői: elhelyezkedés, demográfiai jellemzők, szerep, életstílus, személyiség, gazdasági helyzet: Features of the household and those of the costumer: location, demographic characteristics, role, lifestyle, personality, economic situation
Vásárlási szükségletek: Purchase Needs
Az üzletjellemzők fontossága: Importance of Business Features
Az üzlet image: Business Image
Az üzlettel szembeni attitüd: Attitude towards the Shop
Üzletválasztás: Choosing Shop
Üzleten belüli információ-feldolgozás: Processing Information inside the Business
Termék- és márkavásárlás: Purchase of Products and Brands

According to the model, purchase demand (2) are formed on the grounds of the consumers' demographical, income, etc. features (1), it is affected by the appearance, promotion activity, etc. of the trade unit. Viewpoints concerning the choice of shops (3) are affected by these and many other factors. For instance, convenience as regards parking appear among priorities and the same applies to the location because of being nearby, the general level of prices, the behaviour, friendliness, helpfulness of staff and the range of products. The more the image of the shop corresponds to the consumers' needs, the more the likelihood is that the consumer will buy in the given trade unit (6). After choosing the shop, it is also important to know the consumers' evaluation, the motivators inside the shop that affect them (7) and the aspects on the grounds of which they choose goods (8). If they are satisfied with the conditions, the goods, they will develop a close relationship with the place of purchase and they will keep on going there to do the shopping.

2. BASIC TYPES OF THE WAY OF GOODS BETWEEN PRODUCERS AND CONSUMERS

Goods can get from producers to consumers in a direct and indirect way. It is shown by Figure 3:



Közvetlen: direct
Közvetett: indirect
Közbenső lépések nélkül: without interim steps
Termelő: producer
Fogyasztó: consumer
Egylépcsős, félig közvetlen: one-step, partly direct
Kiskereskedő: retailer
Többlépcsős: with several steps
Kétlépcsős: with two steps
Háromlépcsős: with three steps
Nagykereskedő: wholesaler
Szaknagykereskedő: specialised wholesaler

Figure3: The Way of Goods from Producers to Consumers
Source: BGF Faculty of Trade, Catering and Tourism: Organising Trade and Technology, Part I, p. 18

Producers can also get in direct touch with consumers to sell goods. It is expedient to apply this form in the case of a part of consumer durables; agricultural producers can also establish their own places of sale.

It is called a one-step solution if the warehouses of wholesale trade can be omitted and goods directly get from producers to retail trade. It is characteristic in several areas of food industry (e.g. in case of bakeries, meat industry, dairy products). It can be motivated, for instance, by the fact that they turn over products of high value or unique goods which satisfy special needs or in case there are few producers and few consumers.

The 'classical way' is a two-step solution. Wholesaler gets between producers and consumers. Wholesalers stockpile and transport economically. They help with shaping the producers' assortment and the retail choice in two directions.

A solution of three steps occurs in the case of products where special knowledge or the relationship with producers is needed. In this case, there is a so-called 'specialized wholesaler' between producers and wholesalers.

Let us now cast a glance at retail units according to several viewpoints.

3. DEFINITIONS OF RETAIL

'Retail: comprises all the activities that manifest themselves while selling products and services which serve the satisfaction of the final consumers' personal consumption.' (Bauer-Berács, 2006)

'Retail: in retail we can find al the activities that are needed for directly selling goods or services to final consumers in order that they can use them personally (i.e. not for business use). Retailers or retail shop are business enterprises the sales income of which basically result from retail. Any organisations selling to final consumers – be it producer, wholesaler or retailer – pursue retail activity, independently of the fact in which way they sell their products or services (personally, via post, telephone, from vending machines or per Internet) or where selling takes place (in a shop, the street or at the consumers' home)'. (Kotler-Keller, 2006)

'Retail work means selling consumer goods and means of production of less value to the population – first of all, in order to meet their personal needs.' (*Tölgyesi, 1998)*

4. CLASSIFICATION OF RETAIL

Retail units can be classified according to several points of view, e.g. area, application of prices.
Classification according to area:

- Small shop (especially selling foodstuffs, max. 100 m2)
- Supermarket (max. 100 - 2500 m2)
- Hypermarket (above max. 2500 m2)

In 2010, there were 5 big chains of international hypermarkets in Hungary to be listed below:
Tesco (135 shops) – English; with 80 hypermarkets, 27 supermarkets, 2 express department stores and 26 S-markets
Cora (7 shops) – French
Auchan (10 shops) – French
Metro (13 shops) – German
Spar (378 shops) – Holland

Spar (153 shops) supermarkets
Kaiser's (20 shops) supermarkets
City SPAR (2 shops) supermarkets
INTERSPAR (29 shops) hypermarkets
Plus (174 shops) department stores

AuchanMagyarország Kft. fused with Cora department stores, besides, it was also extended and the number of its shops increased to 19 in Hungary in 2012.

On the grounds of applying prices we can distinguish retail units working with high-low pricing, with low pricing and those with high pricing.

Retails turned over in shops include supermarkets, hypermarkets, discounts, shopping centres, boutiques, brand shops, markets, etc. Retail turned over outside shops includes vending machines, MLM systems, direct marketing, procuring services, etc.

The functions of retail comprise bridging the differences in place and time between production and consumption; shaping the consumers' assortment from the producers' choice; storing goods, planning transportation and organisation; influencing the market, transmitting market information.

From 1990 onwards, concentration has taken place in retail; retail chains of considerable means and with large area have been established. Many small and middle-sized enterprises have gone broke. It is mainly shopping centres (generally with an area of 6000 m2) which gain ground. Foreign capital is getting more and more proportion.

5. TURNOVER DATA IN RETAIL

Retail turnover will be presented according to several points of view. We can observe the change in the consumers' preferences on the one hand and – on the other hand – the impact of the crisis.

First, the table No.1 shows the nominal values of retail turnover.

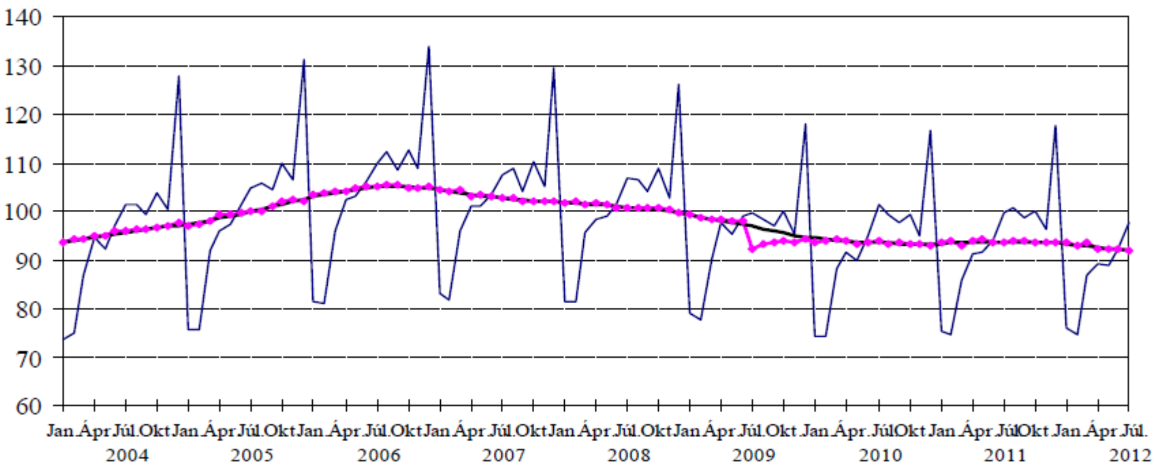
Table 1: Retail Turnover in Hungary between 2002 and 2011
(data in HUF million)

Year	Retail (without fuel turnover)	Retail Fuel for motor vehicles	Retail Total
2002	4 373 877	724 814	5 098 691
2003	4 847 466	754 309	5 601 775
2004	5 311 734	822 773	6 134 507
2005	5 641 897	929 942	6 571 839
2006	6 000 447	1 076 282	7 076 729
2007	6 171 917	1 099 662	7 271 579
2008	6 347 674	1 210 478	7 558 152

2009	6 159 841	1 121 989	7 281 830
2010	6 205 896	1 272 696	7 478 592
2011	6 470 654	1 431 745	7 902 399

Source: KSH database

It can be observed that, disregarding year 2009, there has been an increase in nominal values since 2002. Figure 4 only shows the change in quantity.

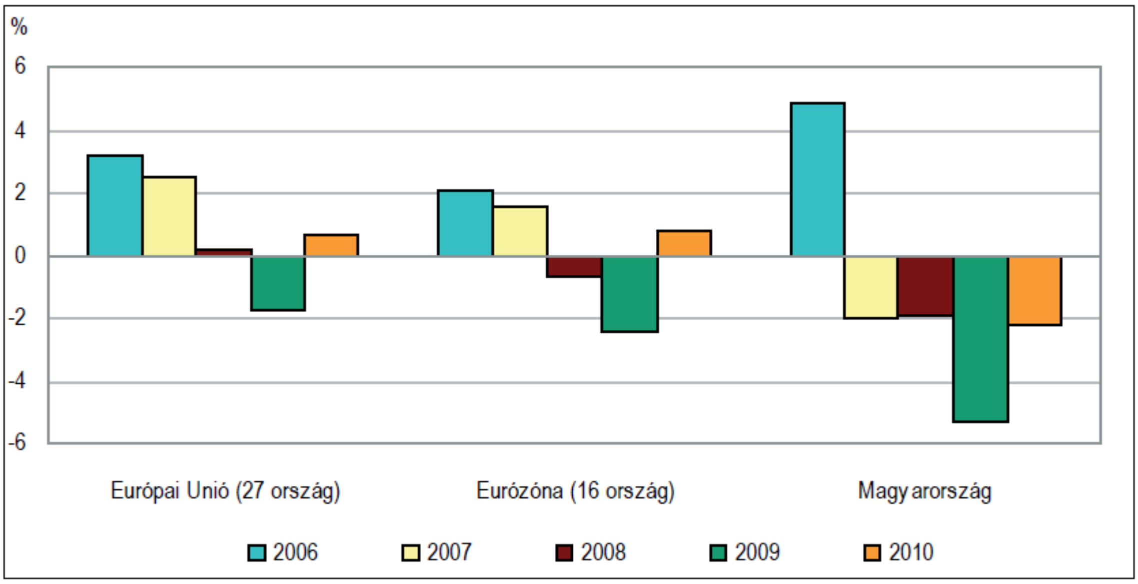


Original volume index
Volume Index Adjusted seasonally and with calendar effect

Figure 4: Volume indexes of retail turnover on a basis of year 2005
Source: KSH database

As compared to the year 2005, the decrease in quantity is well-marked. In 2012, the turnover quantity is slightly above 90% of the average of year 2005. The signs of the crisis are perceptible.

Let us look at how the volume of the retail turnover changed as compared with EU 27 and EU 16.



Európai Únió (27 ország): Eurpean Union (27 countries)
Eurózóna (16 ország): Euro Zone (16 countries)
Magyarország: Hungary

Figure 5: Annual Change (%) in the volume of Retail Turnover
Source: *www.ksh.hu/docs/hun/xftp/idoszaki/pdf/jelkisker10.pdf*

As regards all the areas, the decrease of the biggest proportion happened in 2009, but in Hungary the slackening was more than 5% as compared with the EU 27 decrease of almost 2%. In our country, growth did not even start in 2010.

The Table No.2 shows in how many shops retail activity was turned over.

Table 1: Number of shops turning over retail activity

Retail shops	**2003**	**2008**	**2011**
Groceries and food stores altogether	51 068	44 881	44 406
Sum total of shops and stores of manufactured goods	101 657	104 193	97 614
Vehicle shops and service stations all	10 367	11 419	8 839
Sum total	163 092	160 493	153 065

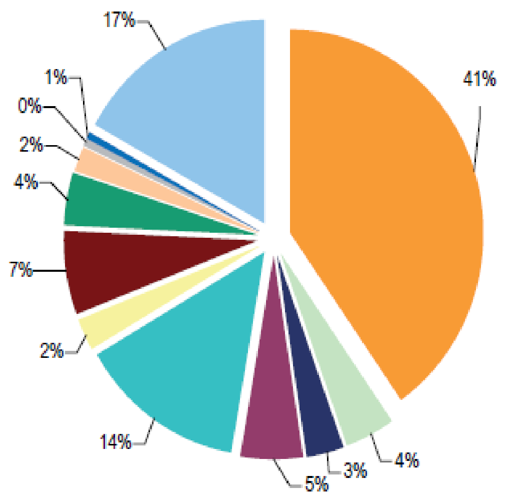
Source: KSH database

In comparison with year 2003, there was a decrease in the number of retail shops.

As a result of the *economic and financial crisis* starting in 2008 and lasting for a long time, the expansion of chains became blocked. Typically, there are *changes in consumer behaviour*. In connection with the economic crisis, people go to the shops at the outskirts of the towns less readily as a consequence of diminishing purchase power and because of petrol's becoming more expensive.

Crisis taxes introduced by the Hungarian government in 2010 (and being valid until 2013) have affected the speed of expansion of multinational chains realising big turnover, too. The expansion is also blocked by the so-called 'plaza stop' law passed in 2011 which states that it is not allowed in our country to establish any retail units bigger than 300 m2 till the end of 2014.

When investigating how retail units are divided on the grounds of turnover according to shop types, we can observe in Figure 6 that more than half of the needs are met in food stores.



Retail of foodstuff, drinks and tobacco (4 %)
Mixed retail of manufacture character (3 %)
Retail of textile, clothing and footwear (5 %)
Retail of furniture, household goods and building material (14 %)
Retail of books, newspapers and stationery (2 %)
Retail of other manufactured goods (7 %)
Retail of medicines and therapy products (4 %)
Retail of perfumes (2 %)
Retail of second-hand articles (0%)
Retail of mail-order service (1 %)
Retail of fuel for motor vehicles (17 %)

Mixed retail of jellegű foddstuff character (41 %)

Figure 6: Repartition of Retail Turnover According to the Types of Shops, 2010
Source*: http://www.ksh.hu/docs/hun/xftp/idoszaki/pdf/jelkisker10.pdf*,
downloaded: 28.07.2012

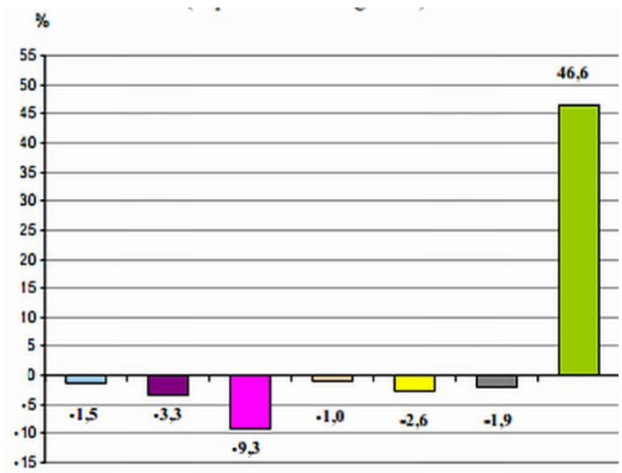
In the April 27, 2012 issue of the Napigazdaság (Daily Economy), we can read in HőnyiGyula's article that 'the sales revenue of the 15 biggest trade chains selling daily consumer goods totalled to HUF milliard 3687.3 last year, according to Nielsen Market Research. The leading position of the list was taken by Tesco followed by CBA; the Coop chain still gets place on the podium.' There are 40 thousand trade units selling foodstuffs, about 12 thousand of which are run by multinational and Hungarian chains, several thousands of the other 28 thousand are supplied by the wholesale bases of Hungarian chains. It is unknown whether this report was prepared on the grounds of net or gross turnover data.

Table 2: Order of Retail Shops based on Turnover

Order	Shops	Turnover HUF milliard Year 2011 (2010)
1.	Tesco	705,2 (666,5)
2.	CBA	565 (555)
3.	Coop	510 (510)
4.	Spar	389,6 (381,3)
5.	Real	367 (360)
6.	Lidl	234,6 (221)
7.	Auchan	230 (224,8)
8.	Metro	184,1 (209,9)
9.	Penny Market	168,7 (160,8)
10.	Cora	86,1 (96,6)
11.	Aldi	69 (52,6)
12.	dm	66,8 (63,7)
13.	Rossmann	41,9 (41,7)
14.	Match	41,3 (42,2)
15.	Profi	28 (25)

Source: Nielsen

Retail turnover is unable to grow significantly in the months of 2012 that is to say, people keep back their consumption. As a consequence, one of the motors of the economy which could lead the economy out of the crisis cannot contribute to the expected activation. It is shown by the fact that the August 2012 turnover is even behind the turnover of August 2005 (7 years earlier). Compared to the same period of the previous year, retail turnover is shown by Figure 7, according to the different shop types



Fuel
Furniture, technicalarticles
textile, clothing and footwear
medicines, therapyproducts
mail-order service and Internet

Foodstuff

Figure 7: Turnover of Different Shop Types August 2012/August 2011

Source: *http://vallalkozoi.negyed.hu/vnegyed/20121025-meg-kevesebbet-vasarol-a-magyar.html*, downloaded: 28.10.2012

'In August, the sales revenue of most shop types decreased, the biggest set-back (of 9.3 %) can be observed in shops selling furniture and technical articles. The fall was also bigger than the average (4.8 %) in the case of shops selling manufactured goods. However, electronic trade kept on gaining ground: the turnover of shops dealing with mail-order and that of Internet-based shops increased by 46.6 %. As regards the growth of turnover in mail-order and Internet-based shops, the increase may be caused by the growing number of purchases using coupons on the one hand and, on the other hand, more favourable prices as well as the home-delivery system free of charge.'
(*http://vallalkozoi.negyed.hu/vnegyed/20121025-meg-kevesebbet-vasarol-a-magyar.html*, downloaded: 28.10.2012)

6. SUMMARY

It is an essential question by means of which distribution channels consumers are able to purchase the goods needed for them. The crisis situation of our days significantly affects theory through practical fields. As regards retail turnover and the number of retail shops, there is a decrease – it is true, this latter phenomenon can also be explained by the expansion of hyper- and supermarkets. The consumers' preference system has changed; during their everyday life they strive after purchasing goods which are indispensable to make their living.

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