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Profitability of Firms in EU Food Retailing

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Abstract:

This article investigates the drivers and the persistence of firm profits in EU food retailing thereby generating insights for the derivation of managerial strategies as well as antitrust policies in this highly dynamic sector. Using a dynamic panel model, a sample of 13,256 food retailers from five EU countries – France, Poland, Spain, Sweden, and the UK – is analyzed over the period 2006 to 2014. Our findings indicate that profits in food retailing are more persistent than in other retail sectors presumably caused by high bargaining power towards processors and entry barriers that lead to less pronounced competition. The results also show that profits are influenced by firm- and industry-specific characteristics. While industry concentration and firm size positively influence profitability, firm age and financial risk tend to have a negative impact.

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