Business concentration in the Hungarian food retail market

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Abstract

Retail market consolidation and its effects on micro enterprises and corner shops present a long-term challenge to the Hungarian retail grocery market. The authors hope this study will help the concerned parties deal with this challenge. The study is one of the first attempts at a comprehensive analysis, and employs concentration tables and concentration ratios. It is based on a database from all businesses, including partnerships and individual entrepreneurs, and focuses on the quantifiable trends and the magnitude of market concentration regarding retail sales and specific areas affected by the consolidation process. Our research revealed that, by 2004, concentration in the retail food market was at a high level, considerably higher than the overall industry indicator. However, based on the various categories studied, no similar consolidation was revealed related to the specialized grocery operators' market segment (specialized retail market). There are two essential reasons for this difference. One of them is trade-specific. Mass retail involves a broad product range, high levels of capitalization, and a high turnover, and is thus highly concentrated. However, in the specialized retail market the level of consolidation is relatively lower as less capital is required and the product ranges and turnovers are smaller. The other reason is also related to trade-specific characteristics: the presence of highly capital-intensive multinational corporations. While their increase in market share led to growing concentration in the food focused retail market, in specialized grocery retail their market share was negligible. Regarding employment, small and medium-sized companies prevailed at the industry level and in the specialized grocery market. However, in the food focused retail market, large corporations had attained a market share nearly equivalent to that of small and medium-sized businesses. Since there is a strong correlation between corporate size and economic power, small and medium-sized enterprises have been increasingly weaker vis-à-vis large companies. Greater consolidation means economies of scale factors are becoming more and more important. Compared to large companies, the smallest micro enterprises have suffered a serious handicap. Therefore, a high level of market consolidation will mean a decline in the number of businesses and retail outlets. In the Hungarian corner shop segment, rationalization is certainly justified as makeshift garage stores are often superfluous in the modern retail environment. However, in the future suitable corner shops will continue to be required due to consumer, employment, and social considerations. The trend toward concentration requires a shift in approach and strategies which may help independent retailers and corner shops survive. Compared to being totally independent, partnerships, with their ability to integrate sales and purchases, offer increased security for corner shops.

Keywords

Grocery retail, concentration, micro enterprises, small grocery (corner) shops, Hungary

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Introduction

Concentration is one of the key questions concerning future trends in the grocery retail market. Market consolidation is a major trend. In advanced countries, it has almost everywhere served to strengthen mass retail chains, and accentuated the conflicts between large and small businesses which differ in store sizes. Micro enterprises and corner shops are in a particularly difficult situation.

Retail market consolidation's negative effects on micro enterprises and corner shops present long-term challenges to the Hungarian grocery retail market. What potential future role can they play and how can they possibly adapt?

Our study endeavours to analyse market concentration trends and some of the areas affected. We also intend to review micro enterprises' and corner shops' position, their future and their opportunities for adjustment.

Database and methods

Market concentration trends were observed by processing the Statistical Office's (KSH) comprehensive database for effectively functioning (taxpaying) business partnerships and individual entrepreneurs from 1999 to 2004. We chose that particular period because a comprehensive business database was then available when we concluded our research. The indicators reveal medium-term changes.

One of the factors considered for the market concentration study is the change in the traditional roles in grocery retail (retail, wholesale, international trade), meaning a great deal of businesses are involved in the entire range of activities or at least in several of them, from production to foreign trade to wholesale purchasing to direct sales. Other than the core product group (groceries), businesses also tend to specialise in other product groups and in additional activities beyond their basic trading activity. The economic potential and the magnitude for grocery retail businesses' diversification into various activities and sales channels often involve both horizontal and vertical integration. This magnitude and potential are more accurately revealed by an indicator covering their entire activity spectrum and product range, since business performance entails diverse product ranges and activities. Total net sales represent the kind of synthesized indicator representing the closest correlation with sales factors (assets and human resources), and for this reason the total net sales indicator has been used to study market concentration.

Changes in concentration level were studied using TEÁOR/NACE, meaning the uniform industry-based classification system for economic activities. This system emphasizes classification in the food focused retail market's core activity and the food, beverage, and tobacco specialized retail markets. Subsequently these two sectors were compared with the industry level (total retail market). The food focused retail market includes mixed retail businesses specialising in a wide range of goods; other than the principal product of groceries, it includes alcohol and tobacco products, plus domestic chemicals, stationery, and perfumes. Larger stores offer clothing, furniture, fittings, metal ware and electric household appliances. Businesses in that sector range from multinational companies operating large hypermarkets and supermarkets specialised in the FMCG market to micro enterprises running corner shops. However, the grocery, beverage and tobacco retail market (specialized grocery market), has grocery stores whose speciality is fish, meat, fruit and vegetable, bakery, confectionery and beverages.

In our comparison only the years 1999 and 2004 were included because merely slight yearly changes had occurred and the concentration trend was steady.

To study concentration using the database, two methods were applied, the first method being the concentration table. The distribution of the number of businesses and their sales turnover of businesses was studied for separate groups of micro enterprises. These included small enterprises, medium-sized enterprises, large enterprises. Employee categories were the following: 0-49 employees = small enterprise; 0-9 employees = micro enterprise; 50-249 employees = medium-sized enterprise. More than 250 employees = large enterprise. For micro enterprises, a separate staff number category was established from 0 to 4 employees. This was necessary because the overwhelming majority of retail businesses fall into this category. The KSH database showed that, as of September 30th. 2006, 77% of micro enterprises (independent retailers) were operating a single shop. (KSH, 2006) Therefore, studying these businesses means studying the corner shop as in this category it is one and the same.

Other than the concentration table based on staff number categories, the concentration ratio (CR) indicator supplied the other research method, meaning the net sales market share for the 5, 10, 20 and 50 companies with the highest turnover. Here, the criterion for concentration is net sales rather than the number of employees.

The following techniques were employed to survey the micro enterprises' position (corner shops):

- Three part studies drawn up by participating researchers.

- In cooperation with the Pest County KISOSZ, a questionnaire survey was distributed to 100 independent retailers operating a single corner shop in communities of various sizes. 14 completed questionnaires were returned.

- 30 interviews were conducted with 17 businesses, 5 business federations or chamber organisations, 5 senior ministry or municipal officials or experts, and 3 independent retailers).

Level of concentration

Opposite trends were revealed regarding the two grocery sectors' position. By 2004, concentration in the food focused retail market reached a high level, considerably higher than the overall industry indicator. Nearly 60 percent of total sales were concentrated in 28 large companies, accounting for only 0.1 percent of the number of employees. The 17,735 micro enterprises accounted for 95 percent of employees, but turnover was as little as 19 percent of total sales. Concentration within this sector is further increased because this is where most purchasing and sales partnerships have been established.

However, the specialized grocery shop market has remained largely diffuse in terms of the employee number categories under review. Small and medium-sized businesses still dominate the market large companies only approaching 3 percent. In this market, micro enterprises have in fact been able to increase their market share.

Table 1 shows the trends in market concentration based on the concentration table.

Table 1

Market consolidation

(distribution, %)

Staff number category	1999		2004	
	Number	**Net turnover**	**Number**	**Net turnover**
Total retail				
0-9 employees	96.60	40.0	96.20	32.0
of which: 0-4 employees	90.30	27.0	88.60	21.0
10-49 employees	2.90	21.0	3.30	19.0
50-249 employees	0.40	14.0	0.40	13.0
250 or more employees	0.10	25.0	0.10	36.0
Retailing with food dominance				
0-9 employees	95.50	26.8	94.80	19.0
of which: 0-4 employees	88.30	19.2	86.20	13.1
10-49 employees	3.40	12.8	4.20	10.8
50-249 employees	0.90	15.1	0.90	12.3
250 or more employees	0.20	45.3	0.10	57.9
Food, alcoholic beverage and tobacco retail (specialized)				
0-9 employees	97.33	55.9	97.43	58.3
of which: 0-4 employees	92.10	40.1	91.18	42.8
10-49 employees	2.45	26.7	2.39	23.2
50-249 employees	0.21	16.7	0.17	15.6
250 or more employees	0.01	0.7	0.01	2.9

Source: Calculations on the basis of KSH (Hungarian Central Statistical Office) data

In neither of the two grocery markets have small and medium-sized businesses (10 to 49 and 50 to 249-employee categories) been able to maintain their respective position. In the food focused retail market, the consolidation trend has obviously benefited large companies at the expense of micro, small and medium-sized enterprises.

There are two basic reasons behind the differences between the two markets. One of them is trade-specific. Mass retail involves a broad product range, high levels of capitalisation, and a high turnover, and is thus highly concentrated. But the level of consolidation is relatively lower in the specialized retail market where less capital is required and product ranges and turnovers are smaller.

The other reason is also related to trade-specific characteristics, and it is the presence of highly capital-intensive multinational corporations. Although growth in their market share led to growing concentration in the retail market, their presence in specialist grocery retail was highly limited.

The application of the concentration ratio reveals further information. (Table 2)

Table 2

Market shares of the 5, 10, 20 and 50 companies of the highest net turnover (%)

Market category	1999				2004			
	5	10	20	50	5	10	20	50
Retail, total	14%	17%	21%	26%	21%	26%	32%	38%
Retailing with food dominance	31%	37%	42%	49%	42%	51%	57%	62%
Food, alcoholic beverages and tobacco retail (specialized)	10%	14%	20%	30%	21%	25%	31%	38%

Source: KSH

In food focused retailing, the concentration ratio shows a trend similar to the one in the concentration table. However, the data for the 20 and 50 companies with the highest sales in the specialized grocery market show concentration to be higher than on the basis of employee number categories. Since in the 2004 data large companies were insignificant, the relatively high level of concentration had emerged within the small and medium-sized business sector.

Using the concentration ratio, a study of Tables 2 and 3 allows comparison between the retail and, more specifically, Hungarian and US grocery markets. There are no significant differences regarding the studied years 2004 vs. 2002, and the categories applied (5, 10, 20 and 50 vs. 4, 8, 20 and 50). The two countries differ in development and size, but their data show both analogies and differences.

As far as the overall industry, in 2002 the level of market consolidation was smaller in the US than in Hungary in 2004. In the FMCG market, the concentration level in the multiple and specialised grocery markets is respectively higher and lower than the overall industry average both in Hungary and the US. With the FMCG markets, the concentration level is similar. The consolidation level in the specialist grocery market entails the greatest difference between the two countries. Here, concentration in the US was much lower in 2002 than in Hungary in 2004.

Table 3

**Market shares of the 4, 8, 20 and 50 companies of the highest
net turnover on the US retail market (%)**

Market category	1997				2002			
	4	8	20	50	4	8	20	50
Retail, total	8%	12%	19%	26%	11%	15%	24%	32%
Grocery and liquor stores, total	18%	30%	43%	54%	31%	43%	55%	65%
of which:								
Grocery stores, total	20%	33%	47%	59%	31%	43%	55%	65%
Supermarkets and multiple grocery shops	21%	35%	49%	62%	33%	46%	57%	68%
Convenience stores	15%	19%	24%	28%	16%	18%	22%	25%
Specialized grocery stores (e.g. meat, bakeries)	6%	9%	13%	18%	7%	9%	13%	18%

Source: US Census Bureau, 2000 and 2004

Areas affected by market consolidation

Table 4 shows the change in the number of businesses.

Table 4

Change of the number of businesses, index: 2004/1999

Staff number category	Total retail	Retail with food dominance	Specialized grocers
0-9 employees	90	90	73
of which: 0-4 employees	89	89	72
10-49 employees	104	112	71
50-249 employees	88	87	59
250 or more employees	100	88	100
Total	91	91	73

Source: Calculations based on KSH data.

The general trend has been a decline or stagnation in the number of companies. The substantial increase in the number of small businesses in the multiple grocery market represents an exception to the general rule. The greatest decline occurred in the specialized grocery market, where the number of medium-sized businesses almost halved.

Table 5 shows the changes in terms of staff number categories.

Generally at the overall industry level and in the grocery market large companies have employed substantially more workers, but the number of employees in small and medium-sized businesses has declined or remained the same, which is due to their shrinking market share. In the multiple grocery market the 10 to 49 small business category is an exception. Here, employee numbers increased by 10 percent thanks to their improving market position.

Table 5

Employee numbers and the related changes (index)

Employee number category	Total retail			Retail with food dominance			Food, alcoholic beverage and tobacco retail (specialized)		
	1999	2004	2004/1999	1999	2004	2004/1999	1999	2004	2004/1999
0-9	143,795	141,997	99	39,020	37,940	97	18,042	14,354	80
of which: 0-4	111,671	106,416	95	29,703	27,799	94	14,569	11,300	78
10-49	41,984	43,036	103	12,815	14,029	110	4,502	3,088	69
50-249	34,933	30,561	87	19,693	17,152	87	1,898	1,208	64
250 or more	37,205	65,666	177	26,971	48,872	181	260	297	114
Total	257,917	281,260	109	98,499	117,993	120	24,702	18,947	77

Source: KSH and authors' own calculations

The number of people employed by micro enterprises in the food focused retail market has declined at a smaller rate than the micro enterprises (net sales based) market share. This is partly due to people attempting to open a small grocery store after losing their previous jobs in non-retail sectors. A family run corner shop is often the family's only source of income. Consequently, for lack of alternative income, many small grocers keep going despite a low and declining income.

In the specialised grocery market employee numbers moved in the opposite direction. For micro enterprises the number of employees decreased while market share increased. But in the small and medium-sized category the number of employees declined much faster than their respective market share.

One of the reasons explaining the two markets' differing trends is that in the multiple grocery market there was less pressure to cut staff due to the higher product line complexity than in the specialised grocery market.

Table 6 shows the role of small and medium-sized businesses in terms of employment.

In 2004, small and medium-sized companies retained their dominance in terms of the number of employees both at the overall industry level and the specialised grocery market. However, for the food focused grocery market, by 2004 the large corporation market share increased to 41 percent, almost equaling that of small and medium-sized businesses. The unemployment rate will probably increase in both grocery markets due to the continued increase in the market consolidation level and the consequent weakening of small and medium-sized businesses' market position, coupled with the increasingly hostile environment for such enterprises. This is because technical and technological development enable global retail chains to reduce specific labour requirements to an ever lower level, as shown in Table 8.

Table 6

The distribution of the staff levels of businesses (total = 100 percent)

Employee number category	Total retail		Retail with food dominance		Food, alcoholic beverage and tobacco retail (specialized)	
	1999	**2004**	**1999**	**2004**	**1999**	**2004**
0-9	56	51	40	32	73	76
of which: 0-4	43	38	30	24	59	60
10-49	16	15	13	12	18	16
50-249	14	11	20	15	8	6
250 or more	14	23	27	41	1	2

Source: Calculations based on KSH data

Table 7 shows the trends for employee number categories based on the average sales turnover.

Table 7

Mean annual net sales per company at current prices, million HUF

Employee number category	Total retail		Retail with food dominance		Food, alcoholic beverage and tobacco retail (specialized)	
	1999	2004	1999	2004	1999	2004
0-9	12	17	12	18	9	15
of which: 0-4	9	12	10	14	7	12
10-49	208	297	167	237	166	242
50-249	934	1,611	731	1,291	1,228	2,323
250 or more	10,694	26,314	12,889	35,401	1,207	5,718
Total	28	52	44	91	15	25

Source: Calculations based on KSH data

At the industry level the overall trend indicated that in both grocery sectors the already substantial size difference between large companies and small and medium-sized businesses continued to grow until 2004. Size difference became the largest in the food focused retail market. In 2004, the average annual sales of a micro enterprise and a large company came to HUF 18 million and HUF 35.4 billion respectively.

The strong correlation between corporate size and economic power means that small and medium-sized enterprises have been at an increasing disadvantage vis-à-vis large companies.

As consolidation increases, economies of scale factors are becoming more important. In that respect, micro-enterprises have endured a serious handicap when compared to large companies. (Table 8)

Table 8

Mean annual net sales per capita at current prices, million HUF

Employee number category	Total retail		Multiple grocers		Food, alcoholic beverage and tobacco retail	
	1999	2004	1999	2004	1999	2004
0-9	6	9	6	9	5	8
of which: 0-4	6	8	6	8	4	7
10-49	12	17	9	13	10	15
50-249	9	16	7	12	14	25
250 or more	15	21	15	20	5	19
Total	9	14	9	15	7	10

Source: Calculated on the basis of KSH data

At the overall industry level and in the food focused retail market, business productivity increases with size, but this isn't true for medium-sized enterprises as they are less efficient than small ones. The substantial difference between large and micro enterprises that existed in 1999 continued to increase into 2004. However, in the specialized grocery market the trend differed as large companies were less efficient than medium-sized ones.

Micro enterprises and corner shops

Following the reviewed period of 1999-2004, consolidation in the grocery retail market has continued; in fact, since EU accession it has intensified. Micro-enterprises (independent retailers), plus the still numerous small grocery shops they operate, are those worst exposed to the disadvantages and risks within this trend.

But the comparative disadvantage facing independent retailers and corner shops in terms of economies of scale does not in itself mean that large numbers of them will go bankrupt. There is a difference between the capacity to improve and commercial viability. Many of them simply cannot generate sufficient profits to increase economic efficiency. However, such enterprises are capable of continuing for a long time as their turnover may still, even without any capital-intensive improvement or investment, support one person, a family, or even a few employees.

But the next major wave of closures may be due to the growing market share of multinational companies that operate large floor-area retail operations (hypermarkets, superstores and discount stores), causing a growing loss of market share for micro enterprises and corner shops. Since EU accession one of the obvious trends has been the increasing number of stores opened by established and new multinational companies in order to achieve national coverage. These new stores are often in areas traditionally serviced by small grocery stores run by independent retailers, meaning small towns, inner city areas, suburban locations, residential districts, etc. Continued market consolidation may hurt corner shops' market share. This is because in certain areas they still greatly outnumber larger outlets and enjoy a significant market share. Thus, large retails chains hope to grow by capturing some of their turnover.

Other disadvantages mean micro enterprises are in an even more difficult position. Firstly, they are not competitive in terms of purchasing, but this disadvantage may be partly offset by seeking discounts.

Also a lot of small corner shops have limited reserve stocks. Few of them have a big enough storeroom or enough funds to purchase larger quantities of goods. Their stock is often limited to quantities that fit in the customer area. They are mostly run as family businesses, where the work is done by various family members. An assortment policy is also non-existent as they only stock lines popular with the local community.

Their basic strategy is to survive, and there is no long-term strategy. Training or participation in training courses are often considered superfluous or not viable due to lack of time.

However, they cannot hold their ground without capital and know-how. Without basic marketing skills small entrepreneurs cannot learn even the simplest market research techniques. And without clear goals it is impossible for them to set priorities. A lack of required skills and ignorance regarding their customer base mean they cannot pinpoint an optimal assortment policy.

However, despite these disadvantages, an increase in overall market sales has prevented an even sharper decline in the number and the market share of micro enterprises.

But once market consolidation reaches a sufficiently high level, the number of retail outlets will inevitably decline. This is confirmed by KSH data for all operating stores, which reveal that since 2002 there has been a constant decline in the number of grocery stores in the segment of the grocery market where consolidation is the greatest.

If consolidation becomes more and more pronounced, numerous micro enterprises will go bankrupt during the next 10 to 15 years. During the coming years government measures aiming to control real wages and personal consumption could accelerate this trend as they could hurt small undercapitalised enterprises.

However, small and medium-sized businesses could fare better in certain niche areas where trade or market-specific characteristics make it uneconomical to establish highly capital-intensive large floor-area outlets. This is the case with small specialist grocery stores focused on selling small quantities of handmade or special-interest items or low-value goods.

Why small grocery stores are necessary

In the modern Hungarian retail environment there is certainly room for reducing the number of corner shops as makeshift garage stores have become superfluous. However, in the future some corner shops will continue to be required because of consumer, employment and social considerations. The vital role corner shops play in employment was discussed in the previous section. Next comes an analysis of related consumer and social factors.

Major retail chains offer a uniform network and uniform product range which can't satisfy diverse customer needs. But corner shops transcend large retail outlets and cater to specific consumer needs. Without corner shops the grocery retail market would be dull and incomplete.

Traditional small grocery stores constitute a vital part of city life, and are indispensable for reasons of urban design and tourism. Because small stores offer typically Hungarian products, they actually entail a tourist attraction.

Neighbourhood grocery stores cater to the needs of smaller communities, and if a significant number of them close this may damage major social groups as they will have to to travel further to shop. These vulnerable social groups include low-income consumers who only buy a small amount of goods during each shopping trip. Also vulnerable are families that do not own a car, numerous pensioners, people with physical disabilities, and those living in small, disadvantaged communities.

Small grocery stores are important for daily shopping involving small quantities of specialised (handmade) fresh goods with a short shelf-life, such as fruits and vegetables, dairy and bakery products, meat and meat products. Large monthly shopping trips at big supermarkets cannot substitute for this kind of regular shopping.

In remote, disadvantaged villages small shops are indispensable to the future of these communities. A village shop not only provides basic daily necessities, but also represents a place where villagers meet and bond with each other.

Thus in cities and villages small shops do not only fulfil a commercial function. In cities their purpose is multi-faceted (specialist products, convenience, tourism, etc.), but in many villages they represent the only source of supply for local demand.

Adjustment options

To ensure their long-term survival, independent retailers and small grocery stores will need to do a lot more themselves. They need to adjust in order to cope with consolidation, and emphasize strategy and marketing. They also need a a long-term business plan, an essential part of survival.

Both independent retailers and their employees should constantly engage in self-training and language courses, plus participate in training sessions and IT courses. They should also familiarise themselves with strategic concepts, marketing strategies, and marketing communication, as well as PR tools, basic bookkeeping, and legal information.

One of the basic factors behind this change in approach is that consolidation requires independent retailers and small shops to forsake some of their independence in certain areas by joining or establishing partnerships. They cannot insist on having 'their own way', meaning the bulk of micro enterprises and corner shops each making their own purchasing and sales decisions. The traditional approach is often unsuitable for reducing the competitive disadvantages facing small enterprises when competing against large-scale retail chains that take advantage of their size and economies of scale.

Compared to total independence, partnerships offer the ability to integrate sales and purchases. In their survey, Agárdi and Bauer (2007) demonstrate that retailers within a partnership can achieve better marketing and business performance than independent ones.

Belonging to a partnership allows a small grocery business to negotiate better purchasing terms and have more competitive prices. Moreover, continual distribution resolves stock-related problems and permits discount schemes which participating stores can benefit from. Marketing activities are undertaken by the partnership organisation, which also enhances members' turnover. The store is given a different image and membership may even mean new technical equipment. During the past five years certain partnerships have even provided training programmes.

A partnership improves small grocery business logistics and competitiveness, thus reducing drawbacks inherent in small size. Aspects of logistical improvement are a central warehouse, an information system, computerised control, and transportation.

Further advantages include cost reduction when the partnership enters into central service agreements (e.g. mobile phone, electricity and fuel providers), to cover the entire network. Such arrangements normally represent great advantages for small shops and to each member in general.

Because of their size or poor location some of the small stores operated by independent retailers are unsuitable for partnership. Partnerships tend to exclude stores below a certain size or which, for other reasons, the management does not wish to include in the partnership. However, some independent retailers are unwilling to renounce their independence.

Such businesses may have to develop strategies in order to adjust to the consolidation trend. Such strategies may include:

- a change in profile,
- narrowing the range of activities and assortments (specialisation) or diversifying into additional activities (e.g. adding more services)
- specialising in market niches (e.g. organic, handmade, individual, special-interest, non-mass products)

- taking advantage of the niches in the product range of large outlets (e.g. smaller choice and encouraging large-quantity shopping at discount stores),
- taking advantage of the concentration of purchasing power near hypermarkets and super-stores by moving into the neighbourhood of large retail units, hence supplementing their product range,
- Filling the demand not met by large impersonal, standardised and uniform units. Value-added services that can make a difference include increased customer care, personal guid-ance, branded products, individual service, quality, the selling of 'profit' rather than a product, plus a distinctive, attractive environment,
- operating shops in green markets and market halls,
- operating shops in green markets and market halls,
- operating small convenience stores,
- serving market niches (eg bus and train stations, kiosks),
- theme shops differing from the traditional concept of specialized stores which offer a wide range of items associated with certain issues or lifestyles. (e.g. wellness),
- one possibility for small shops operating in an urban environment is to cater to the special needs of an ageing population.

In many cases, the store operator's skills and resourcefulness are the key to survival. The required skills include basic marketing knowledge, familiarity with assortment policy, and good knowledge regarding the consumer market. The store owner has to offer services different from competing hyper and supermarkets and discount stores. Numerous stores have been able to retain customer loyalty through the right assortment policy and personal, thoughtful service, enabling sur-vival in the vicinity of multinational hypermarkets. This is mostly true for entrepreneurs who gained trade experience prior to going independent, whereas lifestyle entrepreneurs tend to have insuffi-cient skills, which is part of the reason why they fail.

The overwhelming majority of independent retailers operate a single store. Building up a small network of stores (two, three or more outlets) gives increased security, as one store's potential losses may be offset by the others' profit. The 10 to 49-employee category's improved market posi-tion in the multiple grocery market appears to confirm this statement.

In terms of adaptation, hypermarkets and supermarkets have to be distinguished from malls within large floor-area units. Rather than running a retail outlet themselves, investors in malls let shops to entrepreneurs. These high-turnover units also allow poorly capitalised independent retailers to operate smaller specialized shops since, rather than a substantial upfront investment, the lease is financed from the shop's turnover.

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