Commercial Services in Metropolitan Areas

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ABSTRACT
A major advantage for the metropolitan areas is the establishment of a coherent commercial system. Therefore, in Romania there are more than 100.000 shops, our country being a leader in Europe in what the number of shops per thousand inhabitants is concerned. Presently, in our country there are different ways of selling the products: in supermarkets, hypermarkets, cash&carry, malls, specialised centres and so on.
More and more well known companies are interested in the potential of the markets from the Romanian metropolitan areas.
This paper analyses the Romanian commerce and the large chain stores which invest in our country. Our present research is a part of the DEMOS project.

KEYWORDS
commerce, metropolitan areas, retail trade

JEL Classification
R11, O18

In the Romanian commerce there were important structural modifications, due to the development of new logistic structures adapted to cash&carry, and to the current market demands and there were developed new marketing techniques. (Melinda, C., Simon, T., Cimpoeru, I. & Simion, G., 2004).

According to the most recent statistics, in Romania there are more than 100.000 shops, and therefore our country is a leader in Europe regarding the number of shops per on thousand inhabitants.

Both the dimensions of the market (second largest in Central and Eastern Europe after Poland) and the growth of the purchasing power of the population were the main premises for the foreign chains to come on the Romanian market. So, if the boutique was the first form of trade in he Romanian market economy of the 90's, the retail market includes today: supermarkets, hypermarkets, cash&carry, malls, even specialized commercial centres, as for example the "do it yourself" centres. This has influenced among others the reduction of the number of kiosks and of the mixed shops which have registered in the period 1999-2001 a reduction by 6%. The number of the small food stores went down from 5359 units in 1998 to 5099 in 2001.

At the same time the number of the mini-markets and of the supermarkets has doubled, going up from 270 units in 1996 to 546 units in 2001, for example on estimates that almost 9% of 9896 million $ from the retail trade of food products was also accomplished in the same period in supermarkets and hypermarkets.

More and more international companies are interested in the potential of the Romanian market. The retail traders from Germany and Austria have benefited from the advantage of the closeness to the Eastern-European markets and were the first to enter the market, gaining a temporary advantage towards the competitors. Other international networks from Belgium, England and France have started or have the intention of invest in Romania, as it follows:

The strongest development on the cash & carry segment was that of the Metro group, which entered the market at the beginning of 1996 and presently holds 21 markets. Each Metro store represents an investment of almost 15 millions Euro, on a sales surface between 6.500 and 10.000 square meters and almost

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350 employees in each store. In 2004 the cash&carry chain Metro has registered a turnover of 800 millions Euro, being the second company in Romania according to this criterion. Metro holds many stores both in Bucharest and in the country in towns as: Braşov, Timişoara, Cluj, Constanţa, Iaşi, Craiova, Baia-Mare, Galaţi, Ploieşti, Oradea, Sibiu, Suceava, etc.

The direct competitor for Metro is the German company Fegro Selgros – which entered the Romanian market in June 2001 with the first store opened in Braşov, than in Bucharest and in the country. The investment for each Selgros store rises to almost 15 millions Euro. In 2005 a new store was opened in Oradea, being the 8th store from the chain. The long term objective is to open a number of 15 Selgros stores in Romania.

The most representative stores for the hypermarket sector are the two French groups: Cora and Carrefour. Carrefour has entered the Romanian market in 2001 with the first store from the village Chiajna. The surface of the first Carrefour store from Romania is of 10.000 square meters and the total amount of the investments rose to 75 million Euros. The range of products consists of 55.000 articles. Carrefour is rated as being the largest European player and holds 9,9& of the turnover of the first 30 retailers. On an European plan, Carrefour has a market share of 2,9% of the total of the retail market and 4,8% of the retail market with staple goods.

In Bucharest at the beginning of 2004, the French group was holding only three stores in the following locations, in the order of opening: Voluntari, neighbourhood Militari, commercial centre Orhideea – Grozăveşti, and the last one Carrefour Feeria- Băneasa.

Starting with 2004 Carrefour has started to open new store in the country in Braşov. The investment from Braşov has raised to 20 million Euros and offers the customers more than 50 millions products Carrefour Braşov. The fourth shop in the Romanian chain stores has a sales surface of eight thousand square meters with 54 cash desks and a commercial gallery with reunites 19 commercial areas with shops, restaurant and cafes. The intention of the holding on a long term is to open another 20 hypermarkets, two new hypermarkets a year in the town having more than 300.000 inhabitants. The investment is going to rise at almost 100 millions Euro.

Cora, the direct competitor of Carrefour group has entered the market starting with September 2003, in the Granitul Pantelimon area. This store is the result of an investment of 500 millions Euro, followed by the opening of another 14 store in the country up to 2010. The hypermarket has a total surface of 40.000 square meters, with a turnover of 32 millions Euro for 2003.

Carrefour's position seems to be threatened by the retailers Real and Auchan, the last one being able to open eight stores in different zones, and it has already inaugurated the first store in the 3rd sector of the capital city.

Besides Real and Auchan, the Dutch holding Spar has entered the Romanian market and it will develop in Romania all its concepts, respectively Spar Express – the smallest one, Spar the corner shop, Euro-Spar the supermarket for the weekly shopping and Interspar – hypermarket. The first SPAR location was inaugurated in 2007 in Haţeg, the supermarket having 1300 square meters and a number of 5.738 articles.

In the commercial centres segment, the Turkish company Anchor Mall Group, a division of FIBA has opened in Romania in 2000 a shopping centre – Bucharest Mall, the centre having a total surface of 50.000 square meters and contained almost 120 shops.

The second mall in Bucharest and the fourth in the country, Plaza Romania was opened in October 2004, the total amount of the funds rose to almost 45 millions Euro. According to the studies carried out by the owner, the two commercial centres turn to the inhabitants from a few kilometres around a town, these being the true customers. Plaza Romania is situated around Lujerul passage, in an area with more than 500.000 inhabitants and has a total surface of 104.000 square meters. The mall contains almost 150 shops, among the companies which rented spaces are Gima supermarket with almost 6500 square meters, Cinema Movieplex – 6000 square meters, Diverta – 3000 square meters, Altex – 2000 square meters, etc.

Romania has an important potential for the expansion of the large distributors and the market will not be full e in four or five years according to the estimations of the analysts in the field. According to these estimations, Romanians are doing their shopping in hypermarkets and are spending each time and average of 40-50 Euro, that is a comparable amount tot hat from the countries of the European Union.

Among the chain stores on the Romanian market are XXL, Mega Discount, penny Market together with Kaufland – a chain store which can be found all over the country specialised in trade with food and non-food products, fresh products.

Another chain store from the Romanian market, Mini Max Discount has many stores both in Bucharest (central warehouse) and in Urziceni, Slatina, Târgovişte, the expansion is still going on in other towns of the country. The range of goods – is staple goods.

Plus Discount represents the discount division of the German holding Tenglemann. It is going to open 120 stores in all the towns with more than 40.000 inhabitants; it presently has 10 stores only in the capital city. The total amount of the investments is estimated to be 200 millions Euro from which 17 millions Euro will be for the logistics centre which will be opened in the industrial park from Ploieşti.

The trend is to diversify the commercial activities by opening new stores as UniAll: the first step was purchasing four shops from Constanța and transforming these into mini-markets UniAll, as a single brand of shops with smaller surfaces situated in central and semi-central areas with products adapted for the local consumers which will act as discounters.

The discount concept imposes a certain type of suppliers and a well defined target audience, respectively consumers with medium and small incomes. The Profi stores – from the Franco-Belgian holding Louis Delhaize (which entered the Romanian market in 2000) as well al other discounters use the following recipe: narrow range of products as compared to the supermarkets and hypermarkets and very low prices sustained by optimizing the expenses and the purchasing policy.

The Profi markets are created according to the same prototype. The last two stores opened in Ploieşti respect in general terms the rules of the company: are placed in neighbourhoods with many population and intense traffic, offer basic products in a reduced range of products, wide access to the shelves where the products are exhibited and last but not least they have large parking places. The food and non-food ration is 80 to 20, percentage maintained in all stores from the chain. Almost 90% of the existent products are regional products, the rest being imported.

According to the official statistical information, in 2006 the retail trade registered a rate of growth by 21,5% and a increase in the internal demand by 12,8%; in 2006 the services (which also include commerce) have reached the value of 50% of GDP. The growth of the retail trade was sustained by the trade with non-food products, drinks and tobacco (+27%) and the non-food products trade (+21%). The turnover volume index of the wholesale and retail trade of the vehicles, the retail trade of the fuels has registered an increase by 18% in 2006 as compared to 2005.

Due to the fact that this sector has registered in 2006 an ascending evolution, the only explanation of the growth of the number of companies from the field of trade which went bankrupt is that that the small local enterprises have to face the competition from the foreign distribution chains; there is still an ascending trend for the large chains of stores of entering the Romanian market, and even from the middle of 2006 two clear trend were distinguished: the growth of the sales in supermarkets and the reduction of sales in kiosks. The supermarkets have earned with the food products a plus of 2,4 percentage points in volume and 2,9 percentage points in value, while the kiosks have lost three percents of volume and almost two percents of the value of the staple goods. This trend has maintained, the hypermarkets being presently preferred for food shopping by almost 18% of the consumers on the local market.

There were significant structural changes in the Romanian trade, especially in the development of new logistic structures adapted to the current demands of the market and there were implemented and developed new marketing techniques and tactics. Both the dimensions of the market and the growth of the purchasing power of the population have been the main premises for the foreign chain stores to enter the Romanian market. (Erdeli, G., Ilinca, N., Şerban, C. & Burcea, N., 2007).

One can also mention the fact that in 2006 there was the first failure of a supermarket chain, that is Univer-all; opening new international stores has led to the reduction of the sales in these stores, and thus the company was not able to pay its debts to the suppliers any more.

The study of the Coface company says that in what the territorial distribution of the bankruptcies is concerned almost 48% of these were registered in the Southern part of the country; almost 1/5 (18%) of the companies which were insolvent last year came from Bucharest where the number of registered companies is much larger than in other parts of the country.

In 2007 the modern trade has increased its weight by 2,2% in volume and 1,1% in value in the total of the sales of staple goods from Romania, to the disadvantage of the traditional trade. As we have mentioned before, the kiosks are the most affected ones of the expansion of modern trade on a national level. What is also interesting is the fact that unlike the specialized kiosks, the mixed ones continue to increase their weight in the total sales of staple goods, this increase having two explanations: it is either generated by the advantage of proximity, or it comes from the reduction of the weight in the sales of staple goods of the other channels of distribution.

All the three segments of the staple goods market have registered positive evolutions in sales in 2007 as compared to 2006; the market has registered last year a growth by 9,9% in volume and 19,5% in value (and here the sales from the cash&carry stores are not included).

The rhythm of growth war higher in the case of non-food products as compared to the food products (from the perspective of the volume of sales), the modern supermarkets and hypermarkets gaining ground in the distribution of the food products, thus registering a growing volume of the sales by 10,9% and in value by 12,8% as opposed to last year.

The beverage sector continues to be on an ascending trend in sales, being the only market which is still registering double digit increases. But this trend is not registered only for the beverages but also for the whole market. For all the other three categories of products (food, non-food and drinks), the growths in the value of the sales are larger than in volume.

In the food products market, the dairy products have also maintained in 2007 their position as being the category with the best evolution of sales in volume and value as opposed to 2006. In 2007 the volume of the dairy products went up by 13,8% as opposed to 2006, while the sales in value went up by 23,6%. The weight of the dairy products in the total of the food products market went up from 17,4% to 18,9% in volume and from 12,2% to 12,9 & in value in 2007 as opposed to 2006.

If we look in detail at the dynamics of the different categories, one can see that the milk products like sana or kefir have registered in 2007 an increase by 59,5% of the sales in value, the highest rate of growth as compared to other supervised food products and categories of dairy products: sour cream (34,3% growth) or yoghurt (18,3).

But in 2007 the fats and the sauces have registered a significant reduction of the sales in volume: 8,2% respectively 2%, but not in value where both categories register an ascending trend : 5% and 4,6%.

The evolution of the sales of food products on channels of distribution is not quite different from the dynamics of the other three categories.

The modern supermarkets and hypermarkets gain ground in the distribution of the food products, registering growing volumes of the sales by 2,6%. These two types of store register sales in value which increased by 1,9%.

The food products were not the only ones to register rates of growth in 2007 as opposed to 2006. The category of non-food products has registered a rate of growth of the sales in volume by 10,9% and 12,8% in value in 2007 as opposed to 2006.

The category with the best evolution in sales was this year the one of the cosmetics and personal care products. These two categories have registered an increase in sales in 2007 by 16,6% in volume and 14,3% in value.

The detergent is the only category which ahs registered a reduction in the volume sales by 4,5%. The explanation may be found in the fact that the detergents are more compact. We speak of a new generation of cleaning products which are more concentrated, but have the same power to clean. These are wrapped into smaller packages and are accompanied by a new washing procedure.

In what the evolution of the other non-food products is concerned, we can mention among the most dynamic categories of goods: the diapers for babies (48,8% growth of sales in value) or the balm (51,6% growth of sales in value).

What is also very interesting is the evolution of the sales of non-food products on types of channels of distribution; the modern retail trade reclaims more than half of the sales of non-food products and 42% of their value.

This evolution strengthens the idea that the Romanians are changing their consumption habits slowly but safely. Their weekly visit in supermarkets or hypermarkets has as its purpose buying non-food products and these channels of distributions are definitely preferred when shopping due to the range of products and to the advantageous price offer. The distribution channels are preferred both due to the existent assortments in these channels (variety of brands and large quantities) but also due to the advantageous price offer.

According to these two arguments mentioned above one can predict for the next period a strong consolidation of the modern trade in the weight of the non-food product sales.

The beverage market was the most dynamic one in all categories of staple products, registering in the first semester of 2007 growth of the sales having two figures, the value of the beverage sales went up by 24,6% while the volume of the sales was 14,5% higher.

If we look at each sector of beverage one can say that the most dynamic segment was the one of the alcoholic drinks. The sales increased by 21,7 % in volume and 27,3 % in value. An important growth of the volume and value of sales was registered by the non-alcoholic drinks in 2007: 9,8 % in volume and 21,6 % in value. If we compare the weight of the two types of beverages on the whole market, one cannot see major changes in the structure of the market.

One can notice a significant growth of the commercial activity both in quantity and in quality. The commercial network has developed due to the growth of the number of units and of their surface, to the typological diversification which refers to the well known international chains and to the commercial growth and last but not least to a better territorial distribution.

One can assess that in the metropolitan areas there are still significant differences regarding the development of the commercial network between the nucleus towns, the other urban locations and the rural settlements (Cocean, P., 2002). In consequence, there is no full accordance between the existent and the necessary, especially in the rural settlement of the metropolitan areas and therefore one has to make some efforts to get these close to the level of the urban settlements.

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