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The Retail Romanian Market and the Functional Integrated Commercial Centers

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Abstract. The Romanian trade is passing through a transforming process, both for what the nature of the involved economic agents are concerned and the methods, techniques, knowledge etc. necessary for the activities within this economic field. Many of the favourable changes have been produced both under the influence of the large foreign retail groups (especially the European ones), present at the moment on the Romanian market too, and the impact of certain legislative regulations applicable in this field. Right from the beginning of the "post December" period, there was an imperative need as far as the trade development was concerned, as well as the creation of an urban framework that should offer optimal conditions to carry out trading activities. The implementation of the foreign retail groups (including the large commercial centers) has brought to our country the practices and commercial policies encountered in the civilized world, imposing at the same time the practice of the real competition, accompanied by a series of more or less favourable consequences, both at the local and national level. By the mid of March 2008, the hypermarket and supermarket type of market chains, discount and cash & carry markets (over 40) is going through an extension process, a fact which is to be observed in the huge number of markets in Romania, the Romanian market being open for the foreign investments.

Keywords: commercial centre, retail market, hypermarket, supermarket, discount market, cash & carry market, urban centre.

1. The trading relation – the evolution of the commercial centres

Up to the beginning of the 40s, both in Europe and the U.S.A., the commercial centers used to have the traditional aspect of the trade in the old cities, that is the linear displaying along the main streets and the intense traffic streets, compact fronts of shops on long distances or their grouping around certain markets or within certain market halls.

Although the origin should be sought at the end of the XIXth century-the beginning of the XXth century, the first commercial centers known under the name of *Shopping Centers* were built during the 40s in the USA, in extra-urban areas, where there was enough terrain for the assembly to be built, and huge parking areas [2]. In fact, at the beginning of the 50s, in the United States, there was decided through a political decision, the construction of highways in order to create fast connections between the cities of the country, and related to these communication means network, there have been built the large assemblies called "regional commercial centers" on the outskirts of the urban crowds [2]. It seems that these have had an important role in defining the following commercial centers, such as the hypermarkets and supermarkets type, discount and cash & carry markets, of which coming out has been determined by economic necessities, the need of new commercial spaces, a result of the great trading development, due to the rapid growth of the city population, the need to concentrate the trade within polyvalent centers, due to the needs of an urban life in full development, as well as the issuing of new construction materials that should allow the fast building of the commercial centers, at low costs. Having a long tradition in the countries in the Western and Central Europe, inspired by the example of the American commercial center (USA), the European commercial center is present on the Romanian market after the “post December” period (1989), when this one turns wide open for the foreign retail companies and groups (for ex. Domo in Bucarest, in 1994– mix capital, Metro in Bucarest, in 1996, Billa in Bucarest in 1999, Selgros in Brasov, in 2001, Kaufland, in 2004, Real, in 2006 etc.).

2. Quality aspects related to the Romanian trade

During the “post December” period there was an imperative need to develop the trade and create an urban framework that should offer optimal conditions to carry out commercial activities. The Romanian trade was passing through a transformation process, both for what the nature of the involved economic agents are the concerned and the methods, techniques, knowledge etc. necessary for the activities within this economic field. Many of the favourable changes have been produced both under the influence of the large foreign retail groups (especially the European ones), present at the moment on the Romanian market too, and the impact of certain legislative regulations applicable in this field.

It should also be mentioned that the Romanian market is facing a series of contradictory tendencies within this economic sector. Even though after the year 2000 we have assisted to an increasing evolution of the economic development and the purchasing capacity, the consumption has encountered growing rhythms that have seriously outrun the rhythms of the two, justified by the massive extension of the consumption credit. The trade companies have especially known new types that didn’t exist in our country, which by their coming out, had a positive impact over the population, but this one has been often blurred due to the lacking training of the personnel or the low quality of the merchandise. Almost all the aspects are still dominated by the low exigency of the Romanian consumer, who is not aware of his rights, as well as the huge force that he represents.

The implementation of the foreign retail groups (including the large commercial centers) has brought to our country the practices and commercial policies encountered in the civilized world, imposing at the same time the practice of the real competition. The quality aspects have an influence on the way the activity carried out by the companies in this important economic sector and implicitly their competitiveness is being perceived [3].

As a result of the undertaken researches, we consider that the important domains to outline the quality aspects of the trade are the following: the design of the trade companies, their organization and arrangement, the management of the commercial assortment and the merchandise display, the training level of the owners and employees, the commercial equipments used within the activity of the respective companies, the application of the legislation within the domain, the outline measures of the commercial network. It should also be mentioned the important role that the foreign retail groups have had as far as the seller-client relationships are concerned, meaning their improvement by imposing some strict policies. On the other hand, the large international groups have had and are still having an essential contribution as far as the labour force occupation is concerned, because these ones prefer hiring young people, not only because they accept lower salaries and more work, but they are easier to change when it comes to their mentalities.

Furthermore there should be mentioned the negative aspects that still characterize the Romanian trade. Among these, we mention: first of all the infringement of the urbanism principles within the projection of the commercial constructions domain, the infringement and the inappropriate protection of the juridical regime of the companies and labels, the lacking application of the legislation related to the discipline within constructions [5]. The Romanian market is wide open to the foreign investments. It is noticeable the fact that within the commercial sector, during the last four years, there have been made direct foreign investment of over 1 billion euros, but there are still several aspects to be solved: the ownership problem of the terrains on which the buildings are placed, the labour regime of the foreigners who work in Romania, the treatment to which the foreign companies are submitted by the fiscal control Romanian authorities (etc.).[4] By the mid of March 2008, the hypermarket and supermarket type of markets chains, discount and cash & carry markets (over 40) go through an extension process, a fact which is to be observed in the huge number of markets in Romania.

The commercial centers network (*hypermarkets and supermarkets, discount and cash& carry markets*) **– existence and spreading**

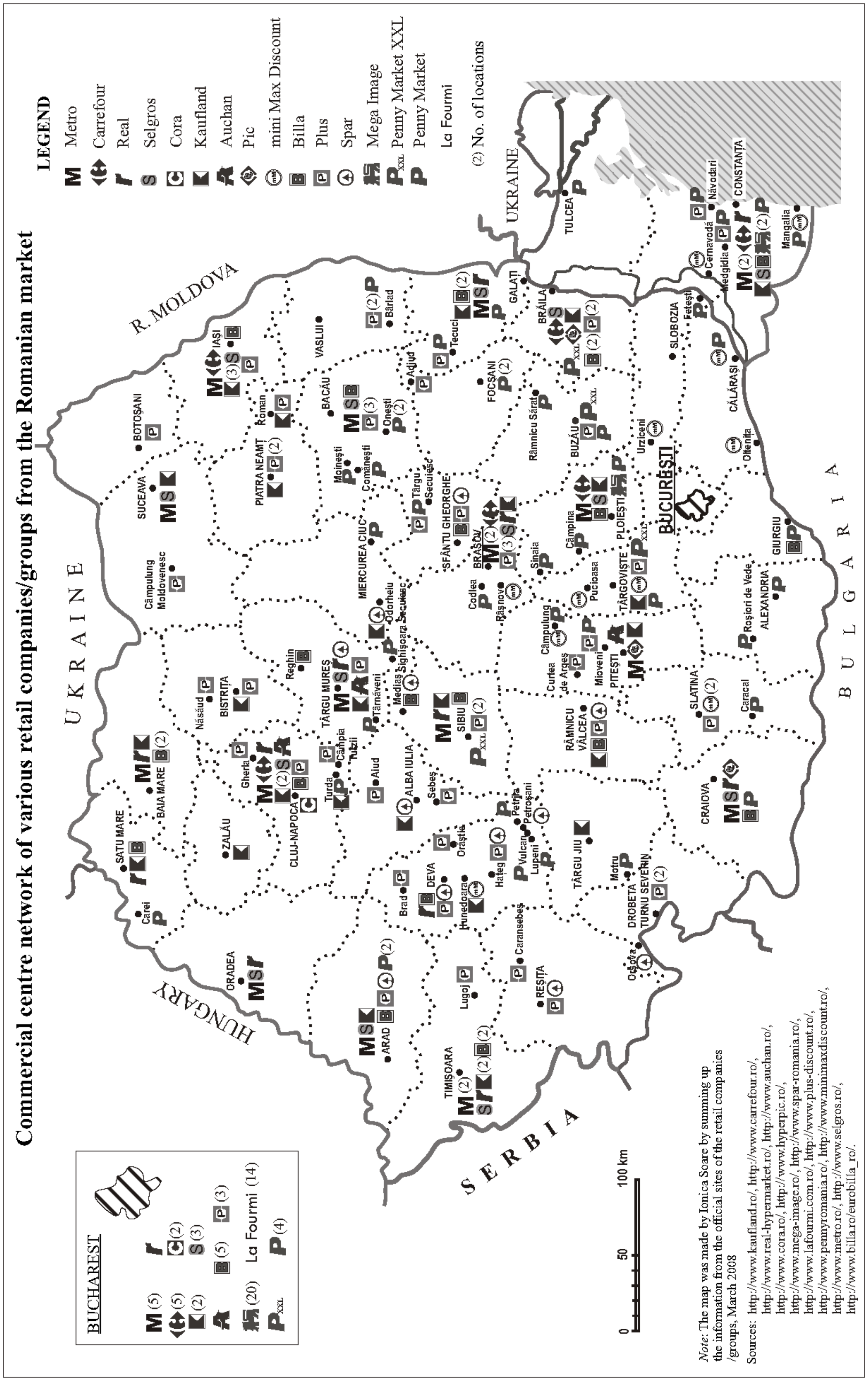
The existence of the supermarkets and hypermarkets networks of the different foreign retail companies and groups on the Romanian market and the studies undertaken on the retail national market, show an extension, maybe an aggressive one, of the large retail chains in Romania. The effervescence with which the Romanian retail market is being confronted is also pointed out by Mediafax by the end of the year 2007, in the sense that the retail companies might open the next year 150-170 markets on the Romanian market (30-35 hypermarkets, almost 40-45 supermarkets, 75-90 discount and cash & carry markets), in comparison with the ones opened in 2007, the total amount of investments being somewhere between 750 and 900 million euros [8]. The total amount of investments in retail is calculated depending on the information provided by the retailers.

The analysis is based on the data provided by the Carrefour, Real, Auchan, Cora, Kaufland, Pic supermarket networks, by the operators of the Billa, Spar, Mega Image, La Fourmi, G'market, Interex, Artima supermarkets, the discount markets: Penny Market, Plus Discount, Profi, MiniMax and the cash & carry operators of Metro and Selgros [8].

How do we consider such effervescence? If we only consider the hypermarkets segment, we can notice that the achieved proliferation is amazing, having as a marking point the 5 ones that existed in Romania in 2004. The potential of the Romanian market has drawn important names of the European retail, such as Kaufland and Tangelmann, which appeared in Romania in 2005. Since their setting up on the Romanian market, each retail company or group has analyzed the extension and transfer opportunities. Especially the large brands of the international retail, such as Kaufland, Selgros, Metro, Lidl, Plus Discount, Carrefour, have budgeted on a medium term, investments of hundreds of millions of euros for the extension of their own market chains.

Generally speaking, the target of the retail groups or companies, especially based on alimentary and agro-alimentary products, have been Bucarest, the county residences and other big cities of Romania having over 10000000 inhabitants, some of them having from 2 up to 5 markets in one city, for example Carrefour in Bucarest.

The following are considered to be the most important retail markets in Romania (see the map with the territorial distribution of some commercial centers): the hypermarket segment: Kaufland (32 markets), Carrefour (11 markets), Real (15 markets), Auchan (4 markets), Cora (3 markets) and the Romanian operator of the Pic markets (4 markets); the supermarket segment: Mega Image (23 markets), La Fourmi (14 markets), Spar (14 markets); the discount segment: Plus Discount (49 markets), Penny Market (45 markets), Penny Market XXL (5 markets), Minimax Discount (12 markets); the cash & carry segment: Metro (23 markets) and Selgros (16 markets) [7] .


Commercial centre network of various retail companies/groups from the Romanian market
LEGEND
Metro
Carrefour
Real
Selgros
Cora
Kaufland
Auchan
Pic
mini Max Discount
Billa
Plus
Spar
Mega Image
Penny Market XXL
Penny Market
La Fourmi
(2) No. of locations
BUCHAREST
M (5)
(5)
K (2)
(20)
C (2)
S (3)
B (5)
P (3)
La Fourmi (14)
P (4)
UKRAINE
R. MOLDOVA
HUNGARY
SERBIA
BULGARIA
0
50
100 km
Note: The map was made by Ionica Soare by summing up the information from the official sites of the retail companies /groups, March 2008
Sources: http://www.kaufland.ro/, http://www.carrefour.ro/, http://www.real-hypermarket.ro/, http://www.auchan.ro/, http://www.cora.ro/, http://www.hyperpic.ro/, http://www.mega-image.ro/, http://www.spar-romania.ro/, http://www.lafourmi.com.ro/, http://www.plus-discount.ro/, http://www.pennyromania.ro/, http://www.metro.ro/, http://www.minimaxdiscount.ro/, http://www.selgros.ro/, http://www.billa.ro/eurobilla_ro/.

3. The impact of the functional integrated commercial centers

The spreading of some foreign companies and groups on the retail Romanian market brings about a series of more or less favourable aspects, generally valid both for the cities of Romaina, and the investors. Considering more points of view, we are trying to describe briefly some of them.

- **Businesses of some retail companies or groups growing each year**

Observing the advertisements at the end of the year 2007 of the different retail companies or groups, by using different means (television, the written press, sites, etc.), concerning the business figure and its reporting by the end of the previous year, indicates a substantial rise, generally between 20-40% and wishes to make more and more investments related to the spreading of the markets networks, the purchase of some commercial center chains (hypermarkets, supermarkets, discount or cash & carry markets) that are owned by other companies than the investing ones etc. For example, in 2007, Carrefour opened 7 markets and bought the Artima supermarkets chain, which is currently being validated by the Competition Council. Out of the study carried out by the consulting and research Polish company PMR, there results that the year 2008 will bring a rise of 16,5% for the retail sales in Romania, meaning that the sales in the hypermarkets will reach 38 billion EUROS (121,7 billion lei) [6]. Just by looking at the attached map, there can be noticed a void in the modern retail network due to the lack of commercial centers (hypermarkets, supermarkets, discount or cash & carry markets) in many cities of Romania (some large ones or county residences), there resulting of course spreading opportunities, the retail being far from saturation, as well as increasing retail sales. The growing interest on the foreign investors' part regarding the fast development of the modern retail forms, corroborated with the increase of the purchasers'/consumers' income, has turned Romania into a promising retail market.

- **Practices which annihilate the local production by:**
  - encouraging the development of some sectors from other countries, especially agriculture and alimentary industry: any buyer can easily notice the high share of the imported vegetables and fruit, the absence of a large number of wine producers who commercialize within the organized trade (including the owners of some brands) due to the lack of their products on the shelves of the hypermarkets (for the consumers in this category) etc.
  - the levy of all sorts of taxes from the important producers in the resort industry, so that their products can be sold.

It seems that the transparent infringement of a good commercial practices code by the retail companies or groups (especially the hypermarkets segment), out of unknown but favourable reasons maybe, well anchored in agriculture and the Romanian alimentary industry, determines the ownerships and syndicates to adopt an attitude in order to elude and elide those practices that are not favourable for the local producers and consumers. The disappearance of some products both from the shelves and the consumers, may bring about disadvantages on a long term, even to these retail companies and groups, due to the fact that the Romanian consumer rediscovers step by step the quality and health offered by the fruits, vegetables and products of the national alimentary industry, getting back to the agro-alimentary markets that have been abandoned for a long time. Why are these sectors the most affected? The alimentary products are the best sold. Modern retail networks have reached in 2007 a market quota of 37,6% of the total amount of alimentary products, in comparison to a share of 35,5 % in 2006; the supermarkets registered in 2007 a quota of 9,4 % of the total amount of aliments sales, while the discount markets have reached a quota of 3 % [6]. Even though the rise of the aliments prices, as a result of the poor agricultural harvest, has contributed to the expenses increase, the consumers were not able to restrict the volume of the consumed alimentary products.

- **Transformations within the urban tissue, owed to the increase of the commercial centers role**

There may raise the justified desire, due to the appearance and development of the commercial centers network at the city level, to separate the commercial function by expressing the general tendency of creating the centers within the new or old peripheral neighborhoods, on the outskirts of the urban center or outside it, out in the open and close to the national highway (some of them of European interest).

Placing the commercial centers on the outskirts of the city and outside it is determined especially by the lack of terrains within the dense built tissue of the central area, by the difficulties hard to solve of the motor vehicle circulation and pedestrians (in case of placing such a commercial center within the central area), by the increase of the motorization degree, ensuring the buyers all the fast individual or common access possibilities and more parking spaces.

Large space consumers, the hypermarket type centers generally reach areas of 15000-22000 square meters, of which the total area of the market is between 4000-7000sm, and the parking areas reach between 250-350 sm.
An impact analysis at the city level, already saturated by the existence of the commercial centers, points out a series of consequences, unpleasant sometimes, out of which we mention:

- the central area of the city begins to face either a weakening of the commercial function as a result of the diminution of the public interest towards that spot, diminishing at the same time the characteristic animation of the center as it used to be, or the physical and moral depreciation of a part of the old built fond;
- there arise frequent changes within the structure of the labour force and the amplification of the commercial function with each commercial center; if there are at least five commercial centers in the city from different segments of the retail market (such as Metro, Real, Selgros, Bila, Kaufland), the labour force sums up over 2500 employees, contributing with a substantial percentage to the increase of the labour force within the commercial sector.
- offer a space and ambient model for an assembly of activities with a diversity of urban life manifestations in a continuous evolution, more obvious by the end of the week, as a result of the free time increase, by diminishing the labour week;
- through the functional polyvalence (trade, loisir etc.), accompanied by the space and ambient specific variety, the commercial center exercises a big attraction, especially for the inhabitants from the surrounding areas, reason for which around the commercial centers placed on the outskirts of the city, as a consequence of their community character, there have been established dwelling assemblies and afferent social facilities, leading to the completion of the agglutination image of the city with the neighboring village by forwarding the idea of reuniting the city with the village and vice versa (the case of Galati city with Vanatori, of Braila with Varsatura etc.);
- benefits of large parking areas connected to the fast, easy accessible traffic network.

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