

Stanciu, Silviu; Virlănută, Florina Oana; Vochin, Oana Alexandra; Ionescu, Victor-Romeo; Antohi, Valentin Marian

Article

Fast moving consumer goods (FMCG) market in Romania: Features and trends

Amfiteatru Economic Journal

Provided in Cooperation with:

The Bucharest University of Economic Studies

Suggested Citation: Stanciu, Silviu; Virlănută, Florina Oana; Vochin, Oana Alexandra; Ionescu, Victor-Romeo; Antohi, Valentin Marian (2019) : Fast moving consumer goods (FMCG) market in Romania: Features and trends, Amfiteatru Economic Journal, ISSN 2247-9104, The Bucharest University of Economic Studies, Bucharest, Vol. 21, Iss. Special Issue No. 13, pp. 778-794, <https://doi.org/10.24818/EA/2019/S13/778>

This Version is available at:

<https://hdl.handle.net/10419/281473>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0/>

FAST MOVING CONSUMER GOODS (FMCG) MARKET IN ROMANIA FEATURES AND TRENDS

Silviu Stanciu^{1*}, Florina Oana Vîrlănuță², Oana Alexandra Vochin³,
Romeo Victor Ionescu⁴ and Valentin Marian Antohi⁵

^{1),2),4),5} "Dunărea de Jos" University of Galați, Romania

³⁾ Bucharest University of Economic Studies, Bucharest, Romania

<p>Please cite this article as: Stanciu, S., Vîrlănuță, F.O., Vochin, O.A, Ionescu, R.V. and Antohi, V.M., 2019. Fast Moving Consumer Goods (FMCG) Market in Romania. Features and Trends. <i>Amfiteatru Economic</i>, 21(Special Issue No. 13), pp. 778-794.</p> <p>DOI: 10.24818/EA/2019/S13/778</p>	<p>Article History Received: 29 August 2019 Revised: 17 September 2019 Accepted: 2 October 2019</p>
---	--

Abstract

The development of the fast-moving consumer goods market in Romania, disputed by European companies specialized in retail, is a spectacular phenomenon, which exceeded the forecasts of the specialists and the expectations of the investors. European integration and adherence to Western security systems gave the specialized companies, with foreign capital, the security they needed in order to carry out consistent investments. The paper proposes a presentation and analysis of the development of modern means of commerce specific to the fast-moving consumer goods' sector in our country. The bibliographic documentation was made using specialized sources and specialized articles from well known scientific databases.

The assessment of the degree of concentration of the fast-moving consumer goods market based on the Gini Struck Method has led to a high value of the index, which shows the dominance of large economic agents at national level. The fierce competition has forced the companies in the sector to develop commercial areas, to innovate sales techniques, to identify new market niches, or even social responsibility actions. The forecasts for the development of the sector are optimistic, but the operators have to identify new means for consolidating or increasing the market position. The paper has an applicative character, being especially useful to consumers and the business environment.

Keywords: fast moving consumer goods (FMCG) market, Struck Gini Index, concentration, Romania

JEL Classification: L11, L66, Q18.

* Corresponding author, **Silviu Stanciu** – ssanciu@ugal.ro

Introduction

In recent years, Romania has become one of the most spectacular economic developments in South East Europe, becoming one of the most attractive European markets for foreign investors. In a market of about 20 million consumers, large networks of sales of Fast-Moving Consumer Goods (FMCG) confront one another, which tackle an aggressive expansion policy, marked by an alert rhythm of the opening of new points of sale and of application of innovative sales techniques. The increase of wages, relatively low inflation, the increase in interest rates and improvement of labour market conditions are the factors currently influencing the development of the FMCG sector. The strong evolution of sales in the sector is mostly based on the massive increase in imports, mainly made from other EU Member States

While in the previous years the competition on the domestic market between the big international retail chains was achieved mainly on the basis of the new concepts of stores, opened alertly by the market players, the year 2018 was marked, in addition to the sustained rate of expansion on the supermarket segment and proximity shops, by a series of projects whereby the merchants aimed to facilitate a faster shopping experience (self-check-out cash desks, mobile payment applications or smart shops), developing market niches by diversifying product portfolios offered, promotion of local products or of organic food).

1. Literature review

The national market for fast moving consumer goods (FMCG) has undergone a spectacular development in recent years, amid the accession to the European Union and the opening of the internal market for major international trade networks. The study conducted by GFK (2019) shows that the FMCG sector in Romania registered a growth of 5.7% during the year 2018 compared to the reports from 2017. However, FMCG sales increased last year at a slower pace, compared to the average of the retail trade sales (+ 5.4% in 2018), according to the releases of the National Institute of Statistics (INS, 2019).

The growth of the internal market was mainly driven by inflation and the rise in food prices, which was of 4% in the previous year (according to the mentioned source, citing Eurostat). Although consumption was slightly increasing, last year the Romanian consumers did not target the higher price segments. Compared to the previous year, from the perspective of the buying behaviour, in 2018 the Romanian families went as often to make their shopping, but the average amount paid at a purchase session increased by 6%. During 2018, modern commerce increased its share in the purchase of consumer products achieved by the population. According to the GFK estimate, modern trade formats attracted about 62% of Romanians' spending, an increase by almost 2% compared to 2017. Sales of goods for domestic use increased by 6.1% in 2018, in terms of volume, five times faster than FMCG sales, and the discrepancy can only be partially explained by a potentially larger increase in sales of sustainable products.

Van der Laan and Aurisicchio (2019) analyse the evolution of FMCG sales techniques at European level, recommending the development of product revaluation services, based on the re-evaluation of obsolescence, the change of outdated production systems with operative or recoverable ones; conditions previously offered to consumers for the upgrading of products, respectively the development of some facilitators of the upgrading activities (such as

investments and incentives). These techniques can lead to a better understanding of the role of the consumer in the context of product revaluation and circular economy development.

The impact of the development of the circular economy on FMCG is estimated by Kuzmina et al (2019), which presents 5 potential scenarios: Rinse and Reuse, The Cycling of Pure Materials, The Rise of the Circular Retailer, A World Without Supermarkets and Connected Living. The analysis and discussion of the scenarios took into account the way in which the value is created within the circular economy and the integral role played by the consumer and the information systems within it. The study provides interesting insights into how the FMCG sector could participate in the development of the circular economy and creates a useful basis for further research in the field.

Yang and Zhang (2019) evaluate the impact of information exchange and the use of forecast combinations in an FMCG supply chain. The authors point out that although the exchange of information improves the overall efficiency of a supply chain, some information, such as pricing or promotion strategies is often confidential for competitive reasons. An analysis of the impact of forecasting systems on supply planning in FMCG networks was also conducted by Basson, Kilbourn and Walters (2019), who demonstrated that using a computerized supply planning process can lead to reduced errors in the demand forecast for all storage units analysed.

The analysis of the sales systems for certain categories of personal hygiene products, carried out by Cha and Park (2019), showed that consumers' preferences are influenced by the function of the product, the sales price, the means of promoting sales and the characteristics of the distribution channels. The modern buyer is increasingly influenced by brand stories, posted on product packaging. The study conducted in 2018 by Solja, Liljander and Soderlund showed that even a brief brand story, included on FMCG product packaging can have a positive impact on consumers' behavioural intent and brand perception by consumers.

Assessing the potential of developing new sales techniques in Croatia, based on the self-service cash registers (self-checkouts), is a topic of interest for Matic, Petljak and Stulec (2019). The authors showed that the development of information and communication technology has caused major changes in the FMCG market. Croatian merchants were forced to internationalize their business and introduce innovations in the assortments of goods offered, or in the way of service, delivery and payment. Based on a survey conducted among young people, the authors pointed out that the attempt to introduce self-service technology in retail is not accepted by Croatian consumers and that they consider it as an auxiliary register, mainly due to frequent technical failures, requiring further measures to improve computer systems. The optimization of storage systems in retail networks in France, based on the application of the cross-docking strategy, was analysed by Benrqya (2019). The author demonstrated that significant reductions in storage costs can be achieved at the supermarket level, by combining cross-docking methods with traditional storage systems.

Verma and Rohje (2019), conducted an exploratory research of the specialized literature and showed that consumers use price, quality, brand, lifestyle, advertising and packaging as key criteria for evaluating FMCG products. Other relevant factors that impact on the evaluation process are the level of consumer education, awareness and accessibility of FMCG products.

Stanciu et al. (2018) highlighted the trends manifested on the Romanian food market, appreciating that traditional products, especially those in the category of bakery products, dairy products, meat and beverage products have started to be more and more present in national retail networks. Although there are governmental measures to support the sector, the number of traditional foods registered at national level is low. The market for traditional foods has a high degree of concentration, and from a geographical point of view there are major discrepancies between different regions and counties at national level.

The study on improving the competitiveness and growth of FMCG sales in emerging markets, conducted by Amoako and Okpattah (2018), highlighted the effects of adequate training, motivation and recruitment processes on the sales force at the supermarket level, recommending the development of a periodic education system of the employed personnel and the use of information technology in order to optimize the volume of sales in the retail trade.

Pavlikova (2018) shows that in the context of the creation of the European single market, the European consumer presents both common behavioural attitudes and some considerably different characteristics. In this situation, sales networks should pay particular attention to the analysis of multiple factors that lead to the creation of value for customers. The author analyses the key factors in FMCG trade and their adaptation rates in the countries of Central and Eastern Europe. The research carried out allows the definition of standardized factors, which can lead to a greater success rate among retailers in foreign markets.

Cazabat and others (2017), shows that there is a difference between the theoretical prescription (models) and the practice of the big distribution companies on the Romanian market. In many cases, the option of choosing a location is rather based on opportunity costs, with areas being chosen where FMCG networks have no competition or competition is represented by neighbourhood stores. The most common development variant used in the development of neighbourhood stores networks was the purchase of neighbourhood stores or the franchising thereof. Theoretical models can be used as a decision-making tool for support/guidance and cannot replace the decision. In the practical activity, it is recommended to take an appropriate decision, based on the use of complex systems, and not just by uniform application of a single economic model.

In recent years, Romania has entered an economic stage based on the development of population consumption, and its stimulation remains one of the governmental solutions initiated for the growth of the national economy. After the fall of the communist regime, in the context of the transition from a centralized economy to a market economy, the number of large factories began to gradually decrease, and make room for other economic activities, a phenomenon known as deindustrialization. One trend registered after the transition to a market economy was that of the progressive development of the tertiary sector. Romania followed the trend registered in the European Union, where the services sector plays a central role, reaching over 70% of GDP. In this context, Costea (2016) carried out an analysis of the transformation of the national economy into a tertiary one, accompanied by the simultaneous development of the consumption-based economy. Although there is an increase in economic indicators, the decrease in exports and the reduction of industrial production can lead to major turbulence in the Romanian economy. Romania should identify ways to increase industrial production, in order to ensure sustainable economic growth, otherwise consumption-based growth may prove to be a false model. Recent wage increases may lead to economic growth, but there are associated risks, such as falling in the middle-income trap or deterioration of trade balance. The national

food market depends on imports, although Romania has important natural resources favourable to agricultural production, which, if properly exploited, could cover domestic demand and allow farmers to obtain some significant export advantages (Tamuliane et al, 2017). The main imbalances encountered at national level are those in the fruit and vegetable sectors, coffee and cocoa, milk and dairy products, respectively meat and meat products (Stanciu and Bichescu, 2018).

In the context of the rapid development of retail trade, the use of new communication and information technologies represents an efficient way to ensure the competitiveness of the FMCG sector. Given that e-commerce is the most dynamic sales channel, the analysis of its evolution in Romania shows that the sector is adapting to global development trends. The main conclusion of the research conducted by Cristache, Ciobotar and Kailan (2015) was that new commercial technologies will experience rapid development at global level, and that this tendency is already strongly manifested at national level.

Dabija and Pop (2016), showed that in Romania lately a significant number of traders have developed specific actions of ecological marketing, in order to strengthen their prestige in the market, to raise consumers' awareness and increase the confidence of the target groups of customers for the company. These actions will have a positive effect on how customers perceive FMCG traders. When a correct, positive and proactive image of the company has been created in consumer psychology, the chance of increasing customer loyalty will be very high, which will lead to increased competitiveness of the company and to a more efficient development of the company's target market approach strategies.

In an analysis of the domestic retail market, Stanciu (2015) stated that Romania's accession to the European Union facilitated the access of European retail firms to the Romanian market. In 2013, about 53% of the total household expenditures in Romania were destined for the purchase of consumer goods distributed in modern retail systems. The expansion of FMCG networks has severely affected local companies, which have had to find new ways of surviving on the market. The Romanian companies were forced to close their businesses or identify innovative strategies to ensure the continuity of the activity, especially in the commercial sector. By analysing the retail sector in Romania Coca, Dobrea and Vasiliu (2013) show that at the level of 2013 it is consolidated, on a domestic market growing slightly and that it has a level of efficiency comparable to the European average. At the level of 2013 the FMCG market in Romania showed pronounced trends of concentration.

According to Stănculescu and Țiță (2006), internationalization strategies are an important component of the policies developed by most distribution companies in the Member States of the European Union. In the next period the authors consider that there will be phenomena of intensifying the commercial relations between the European countries, and the new demands of the integration process will determine the adaptation of the consumer goods offered by the FMCG networks to the specific needs of the national and European consumers, in a system of dynamic independence, manifested in the context of fierce global competition.

2. Materials and methods

The information regarding the number of companies, the turnover, the number of employees and the profit registered in the FMCG sector were selected from the TopFirme.ro database (<https://www.topfirme.com>, 2019). For specialized analyses regarding the evolution of the sector we consulted the Reports of the USDA Foreign

Agricultural Service (2018), LZ Retailytics (2018), the articles of the Retail-FMCG.ro Magazine, the Euromonitor International materials (2019) accessed by means of the Enformation platform, works from the Web of Science (Clarivate Analytics) and Google Scholar scientific databases. In order to evaluate the degree of market concentration, the method based on the calculation of the Gini Struck Index, recommended by Săvoiu, Crăciuneanu and Țaicu (2010) was used.

The selected information was statistically processed, graphically represented and interpreted. The results obtained were compared with other specialized studies, where appropriate, in order to reach relevant conclusions.

3. The structure of FMCG Market in Romania

According to the latest population census, cited by the Beragua study (2018), the total population of Romania was estimated in 2011 at around 20 million inhabitants. About 46% of Romanians lived in the rural area, of which 56% in small cities, under 20,000 inhabitants, while large cities, with over 100,000 inhabitants, represent only 28% of the population (figure no. 1).

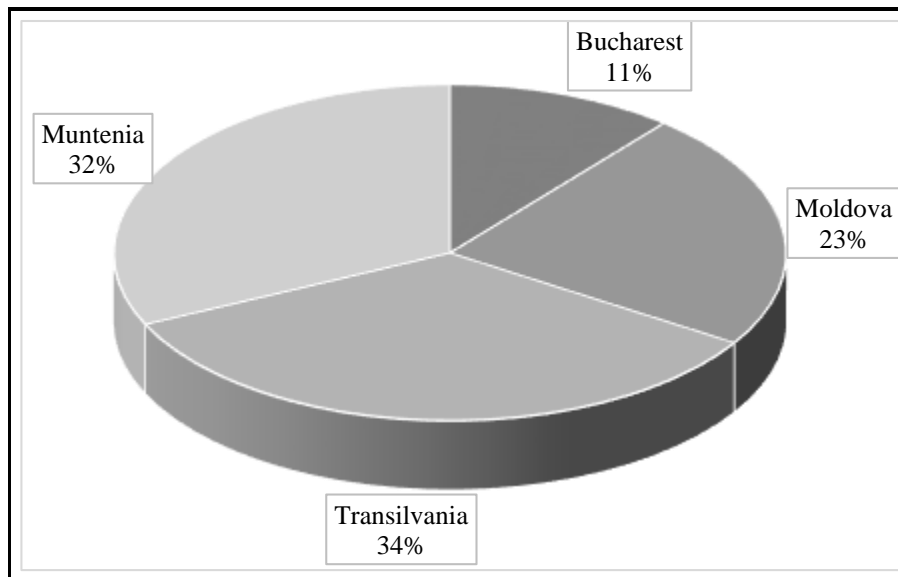


Figure no. 1: Population distribution in Romania, by regions

Source: Authors, based on Beragua data, 2018

The richest areas of Romania, assessed by means of average expenditure per capita, are concentrated in Bucharest, Central and Western region (which include the cities of Timisoara and Cluj-Napoca), while the poorest areas are the Eastern regions and the Craiova area. However, the dispersion in terms of expenditure per capita is moderate: the household expenses in Bucharest are only 31% higher than the average of the country and about 44% higher than the poorest regions (figure no. 2).

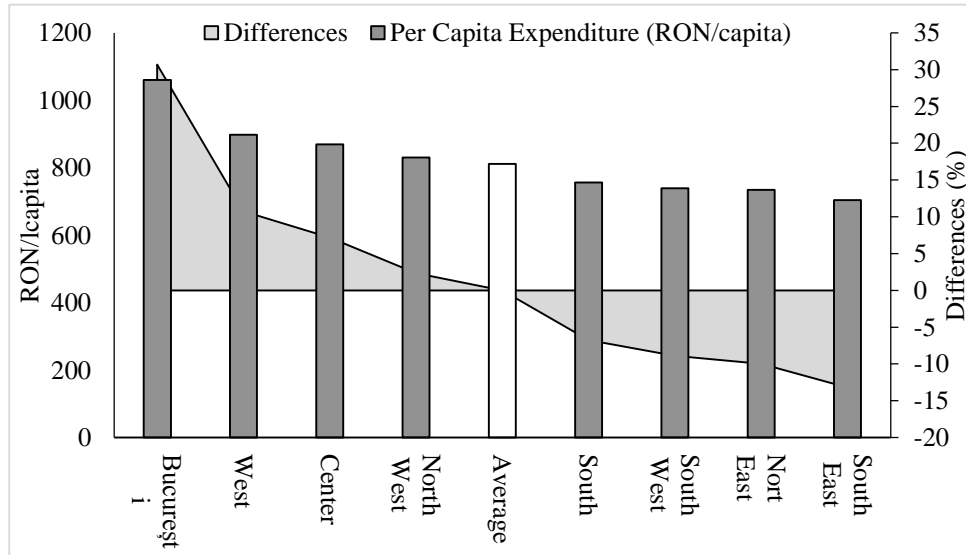


Figure no. 2: Distribution of income of the Romanian population, by regions (%)

Source: Authors, based on Beragua data, 2018

The quoted study showed that at the time of assessment, about 47% of the food retail market was controlled by traditional retailers, which lost about 31% of the market share in 2005. By category of units, from the point of view of the commercial area average per capita, the national supermarket segment was below the average of the neighbouring countries, with a strong potential for further development, while the weight of hypermarkets was close to the average of the neighbouring areas of Romania (figure no. 3).

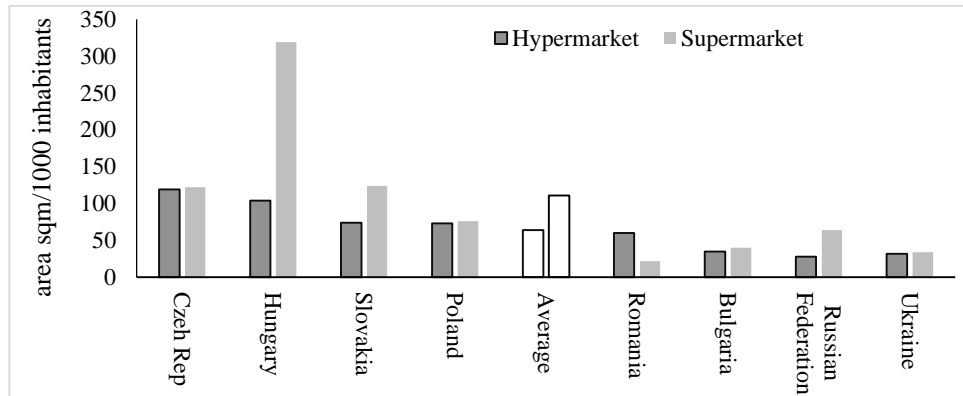


Figure no. 3: Commercial areas in modern commerce, by countries (sq. m/1000 inhabitants)

Source: Authors, based on Beragua data, 2018

According to TopFirme (2019), at the beginning of 2019 in Romania, 44,441 companies were active, declaring as main activity “Retail trade in non-specialized stores, with food, beverages and tobacco predominating” (NACE Code 4711). Compared to 2017, the sector

registered a reduction in the number of economic agents with over 7,500 units, due to the bankruptcy of Romanian capital companies (Retail-FMCG.ro, 2018, 2019). An analysis of the sector from 2017 is provided by the Retail-FMCG.ro Report (2018), which shows that the main FMCG players on the Romanian market have consolidated their distribution networks, amid the disappearance of small players, independent neighbourhood stores (figure no. 4).

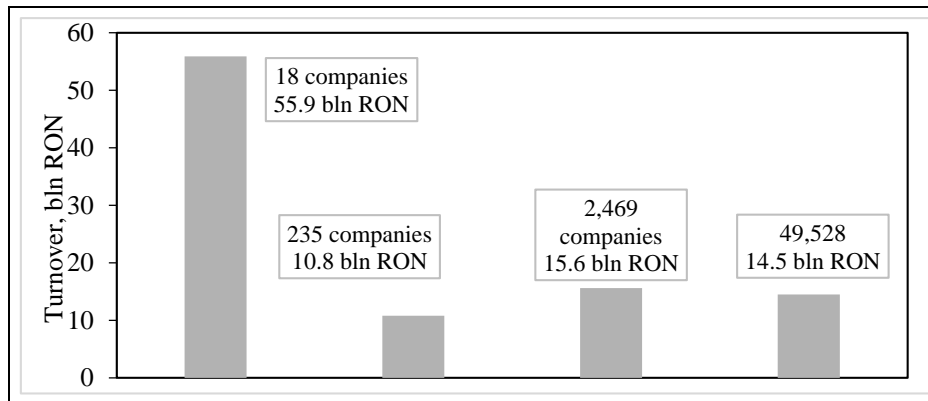


Figure no. 4: Food retail sector in Romania (2018)

Source: Authors, using Retail-FMCG.ro, 2018

At European level, Romania currently ranks 5th in Europe, after Turkey, Russia, France and Italy, in terms of the development of FMCG retail spaces. Thus, according to the USDA Foreign Agricultural Service Report (USDA FAS, 2018), the area allocated to the Romanian retail trade has doubled in the last 4 years, reaching 100 square meters/1000 inhabitants. The USDA FAS report mentions that the structure of the FMCG market in Romania is mainly focused on the following types of sales spaces:

- **Hypermarkets:** Stores over 2,500 sq.m (25,000 sq. ft.) selling a wide range of food and non-food products. Kaufland announced for 2018 a 233 USD million budget for expanding and upgrading its current network. French retailer Carrefour reported a 10.6% increase in turnover in the first quarter of 2018, reaching 566 million USD, according to the quoted report.

- **Supermarket:** Stores with an area of between 400 and 2,500 square meters, which sell a wide range of food and non-food products. Mega Image has expanded aggressively in this segment and has lately become the largest supermarket chain in Romania.

- **Wholesalers/Cash & Carry:** Retail/wholesale stores with a varied product portfolio, sold in warehouse style format. These stores have a wide range of products in the food and non-food area. Metro Cash & Carry, which entered the Romanian market in 1996, and it is the largest in this segment. The Selgros network, another important trader in this segment, is composed of 20 stores in which a wide range of products (over 41,000 food and non-food items) is marketed.

- **Discount Shops:** small supermarkets, with a limited range of low-cost products, often private label.

The German network owned by LIDL entered the Romanian market in 2011 by acquiring the Discounter Plus network, which at the time of the transaction had 107 units and reported a turnover of approximately 456 million USD. The objective of LIDL to reach 200 stores in Romania was achieved in 2016. Based on the turnover, in 2017 Lidl Romania ranked third among the Romanian retail sector, after Kaufland and Carrefour. In 2015, it reported a profit of 1.13 billion USD, up by 21% as compared to 2014. Penny Market, another important competitor in this market, reported in 2017 a 17% increase in turnover compared to 2016. In 2018, the company had a 13% increase in turnover.

Companies specialized in this sector accounted for about 2.27% of the total number of economic agents registered at national level in 2018. The global turnover of operators in the FMCG sector in Romania reached in 2018 at 66.4 billion lei (15.1 billion euro), having a share of about 4.93% of the total turnover at national level. The profit declared by the traders in the sector was in 2018 of about 2.5 billion lei (558.3 million euro), respectively 2.34% of the net profit realized at national level. The total number of employees in the national retail trade at the end of 2018 was of 187,605 persons, respectively 4.67% of the total number of employees in Romania. The top 10 operators in Romania reported a total turnover of about 9 billion euro, representing almost 60% of the total reported by the sector. With a turnover of around 2.3 billion euro reported in 2018, Kaufland Romania SCS is the most important FMCG trader, having a market share of over 15% (figure no. 5).

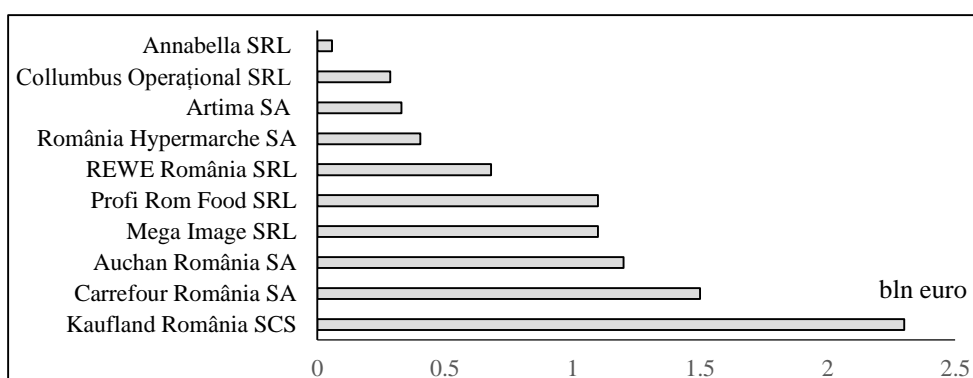


Figure no. 5: Top 10 Retailers in Romania (Gross retail sales in billion euro)

Source: Authors, using TopFirme, 2019

The analysis of the degree of market concentration is done by the method proposed by Săvoiu, Crăciuneanu and Țaicu (2010), based on the calculation of the Gini Struck Index (IGS), based on formula no. 1.

$$IGS = \sqrt{\frac{n \sum (g_i^2) - 1}{n - 1}} \tag{1}$$

Where: n = 44,441 and g_i the weight of the company i in total sales (table no.1)

The evaluation carried out by the mentioned method leads to an IGS value of 25.15, which shows a high degree of concentration of the national FMCG market. With a profit level of 152.4 million euro in 2018, Kaufland Romania SCS ranked first in the top of profile companies.

Table no. 1: Gini Struck Index calculation

Company	Turnover	g_i	g_i^2
Kaufland România SCS	2.3	15.23178808	232.0073681
Carrefour România SA	1.5	9.933774834	98.67988246
Auchan România SA	1.2	7.947019868	63.15512478
Mega Image SRL	1.1	7.284768212	53.0678479
Profi Rom Food SRL	1.1	7.284768212	53.0678479
REWE România SRL	0.681	4.509933775	20.33950265
România Hypermarche SA	0.403	2.668874172	7.122889347
Artima SA	0.33	2.185430464	4.776106311
Collumbus Operațional SRL	0.286	1.894039735	3.587386518
Annabella SRL	0.058	0.38410596	0.147537389
Total	8.958	59.32450331	535.9514934

Compared to an annual turnover of 2.5 billion of euro, the profit rate obtained by the German operator was of over 6% (figure no. 6).

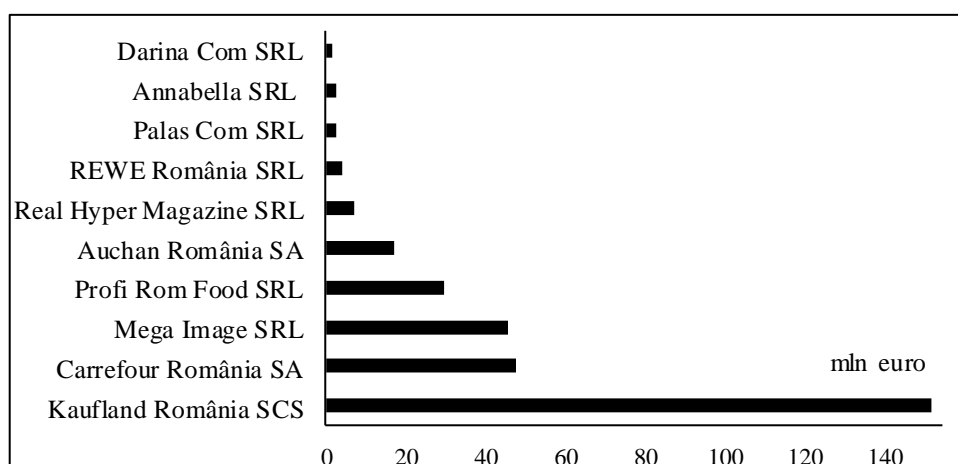


Figure no. 6: Top 10 FMCG profit companies in Romania

Source: Authors, using TopFirme, 2019

After a low rate of expansion in 2015, the retail sector in Romania increased in 2016, with 423 new store openings, reaching 2,391 stores. Most of the new stores were opened by international merchants, mainly Germans. In 2016, the large retail networks opened 250 new stores, which covered all market segments. The opening of stores with consumer (135) and supermarket products (65) reached record levels in the mentioned year. At the same time, discount stores increased by 36 new work points in 2016. The smallest number of new units opened was recorded by the hypermarket segments and the cash & carry segments (USDA Foreign Agricultural Service, 2018). However, the hypermarket segment continued to attract new investments, with 8 store openings in 2016 and a 15% increase compared to 2015. As for the cash & carry segment, after 4 years without openings, Selgros expanded the network own two-unit stores in a new format called "Compact Store".

Although considered the most expensive retailer, Profi had the highest number of store openings in 2016, with almost half of the total number that year (134). Mega Image, with 53 new units, and Penny Market with 25 new stores completed the list of inaugurations. In 2016, Mega Image reached a market of 500 stores in Romania, while Auchan, Cora and Metro Cash & Carry did not open any new stores in 2016. In 2017, Romania's retail market was evaluated at approximately \$ 46.5 billion. Four major players, namely Kaufland, Carrefour, Metro Cash & Carry and Auchan, held about 60% of the total market share. In 2017, a further 43,000 sq.m of commercial spaces were further developed. Profi, Penny and Lidl have opened stores in smaller cities with lower rents. The USDA FAS forecast is that these outlets will face the competition of large retailers, which will develop larger stores on the outskirts of these cities. In 2017, retailers made considerable efforts to identify sustainable, long-term suppliers, looking for competitive prices and new products. 85% of the products sold in the modern Romanian stores are of mixed origin, and 15% are exclusively local products. Kaufland's corporate management announced that in 2018, it has allocated 233 million USD to expand and modernize its current network, doubling its 2017 budget.

Modern retail formats have succeeded in 2018 to further consolidate their position on the market and now they hold almost 60% of all purchases for domestic consumption (according to GfK data for January - September 2018). The expansion of international networks in Romania continued in 2018 by the opening of a number of 400 stores, representing an additional 50 new locations, compared to 2017. Of the modern trade channels, hypermarkets have continued to be the main destination for family shopping, but continue to lose ground to the detriment of the other formats, with only six new openings registered last year. According to the Euromonitor International study (2019), in 2018 hypermarkets were still in the top of the Romanian preferences, registering an increase of the current revenues of 7%, reaching sales of over 24 billion RON. Carrefour and Kaufland focused on expanding the network with new outlets. Hypermarket operators have continued to invest in developing business relationships with local producers. In the forecast period, a compound CAGR annual growth rate of 5% (3% at constant prices in 2018) is expected on the hypermarket segment in Romania, the forecast being to reach sales of 41.2 billion RON in 2023 (figure no. 7).

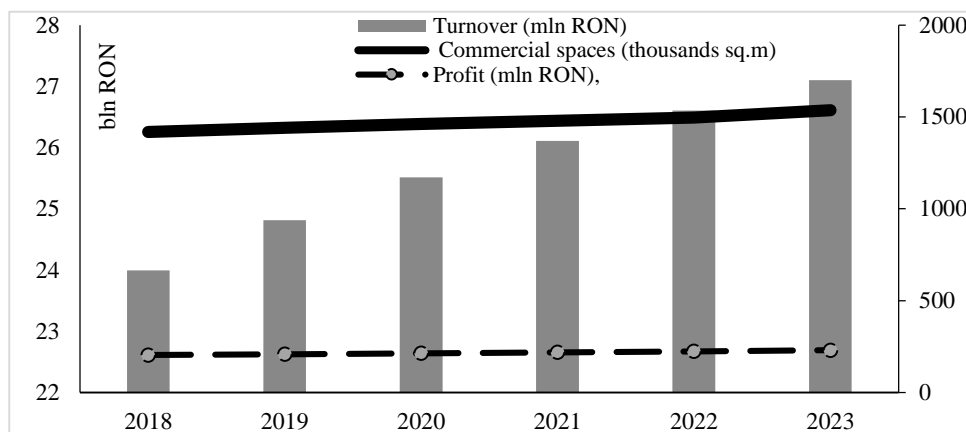


Figure no. 7: Supermarket network in Romania (forecast 2020-2022)

Source: Authors, using Euromonitor International, 2019

Kaufland had the largest number of hypermarket stores in Romania in 2018, but the network continued to expand this year, with the opening of 10 new stores. Carrefour, another major player, plans to open new outlets. Auchan is the only major player the network of which has remained the same in recent years. The expansion of the supermarket system will continue in the next few years until they will be present in all urban agglomerations with at least 40,000 inhabitants. The main hypermarket networks are near the maximum expansion point, which will force them to look for alternative sources of growth. Carrefour and Auchan tend to operate in larger store formats, while Kaufland has more flexibility and tends towards smaller retail outlets that are not part of shopping centres. As a new way of promoting, in 2018 Auchan organized a Black Friday event (Auchan Black Days), which lasted two weeks and where substantial discounts was offered in order to attract new customers. Offers were also available on the Auchan online platform. In 2018 Kaufland launched the *#instaredebine* funding scheme in order to support the development of social projects. The grants are addressed to non-governmental organizations that aim to create projects for the benefit of the community. This scheme will help improve Kaufland's image as a socially responsible company. The effervescence of opening new commercial spaces was most evident in the area of supermarkets and convenience stores. If the latter enjoyed the highest number of openings (200 locations), it is interesting that the supermarket segment continued to accelerate. Thus, while in 2017 the number of stores opened under this format was of 81 units, last year the dynamics was almost double, with the big players putting on the map no less than 149 new locations. In addition, the supermarkets had the best evolution of the market share last year, and the frequency of purchase increased the most in this type of format: plus 6% during the period January - September 2018, compared to the same period in 2017 GfK, (2019). At the opposite pole was also in 2018 cash & carry stores, where there were no new openings, while the segment of specialized stores ticked only nine inaugurations (figure no. 8).

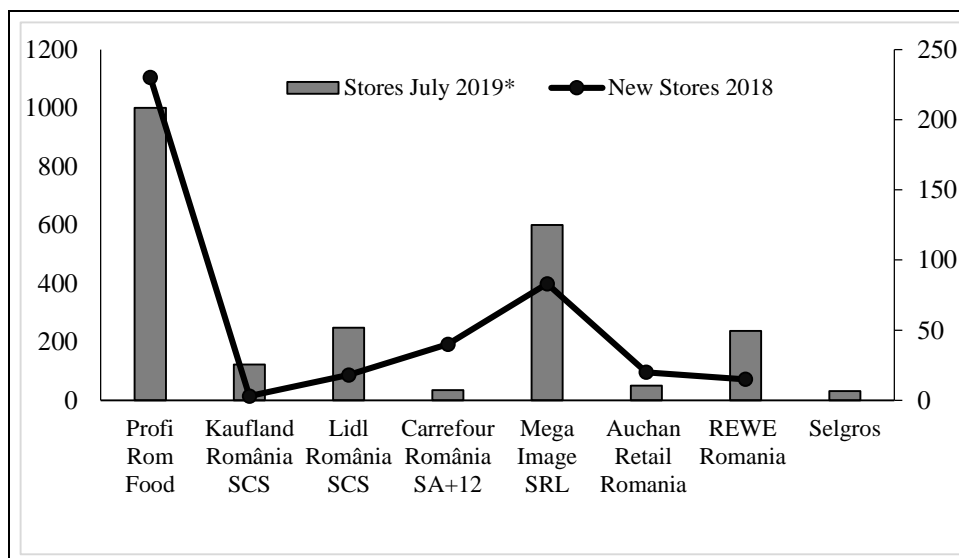


Figure no. 8: Commercial spaces by traders
 Source: authors, based on Retail - FMCG.ro, 2019

4. Trends in the development of the FMCG market in Romania

According to the LZ Retailytics report (2018), retail networks will grow in Central and Eastern Europe (CEE) twice as fast as in the rest of the European market. For 2019-2022 LZ Retailytics forecasts for retailers in the region a CAGR of 6.9%, while in the rest of Europe it will increase by only 2.9%. While in the previous stage the specialized multinational companies mainly aimed at the extensive development in the region of some retail networks, at present the standardized "all-size-fits" approach faces difficulties, against the background of a tendency of the local consumers to avoid the operators who do not adapt quickly enough to national particularities. The USDA FAS report (2018) mentions that about 85% of the products in the Romanian food retail trade are imported or of mixed origin, and 80% of the imported foods come from EU Member States. The main food suppliers for Romania are Hungary, Germany, Poland and Bulgaria. The largest share of foodstuffs imported by traders is held by processed products, meat, cereals, protein products, dairy products, fruits and sugar. The year 2017 marked a record for imports of American products from Romania, which reached the level of 150 million USD, increasing by 22% as compared to 2016. American exports (mainly bulk and intermediate) are shipped directly to Romania or transhipped through points of entry from Western Europe. Indirect food imports from the U.S. increased by 15%, and the direct exports increased by 29% compared to 2017. In the fulfilment of the commercial contracts, the product catalogues and price lists are important. It is recommended to present some samples/send samples of products to potential contractors, given that most of the importers and retailers in Romania frequently rely on subjective factors in decisions regarding the marketing of new products. Domestic importers and distributors are direct suppliers to retailers, being familiar with existing legislation, commercial practices and customers. Most importers/distributors have distribution channels with national coverage. Addressing and collaborating directly with these parties can be a good strategy for entering the market.

An interesting phenomenon in the EEC is *the development of small store formats*, discount type by Lidl and Aldi, companies that have used this way to expand faster than the rest of the market operators. In Romania Lidl operates 244 quality-discount stores, having REWE Romania as main competitor, which operates a network of 236 Penny Market units (Retail - FMCG.ro, 2019a). In the case of these forms of trade, there will be a tendency to increase the preferences of consumers for local products. In general, however, it can be appreciated that, regardless of the range of products offered, price is a key factor in the choice of consumers in the EEC area.

Developing online sales is an opportunity for traders, including the FMCG market. Romania's e-commerce segment continued to expand in 2017, reaching a weight of about 5-6% of Romanian consumers' purchases, compared with 4% in 2016. Although the share of online sales remains low in the Romanian market compared to the Western European countries, this segment is expected to grow over the next few years. According to estimates of the main players interested in e-commerce in Romania, the value of online shopping (food and non-food) reached 3.2 billion USD in 2017, compared to 2.2 billion USD in 2016, statistics including only consumer products, without services, utility bills, hotel or entertainment bookings (figure no. 9).

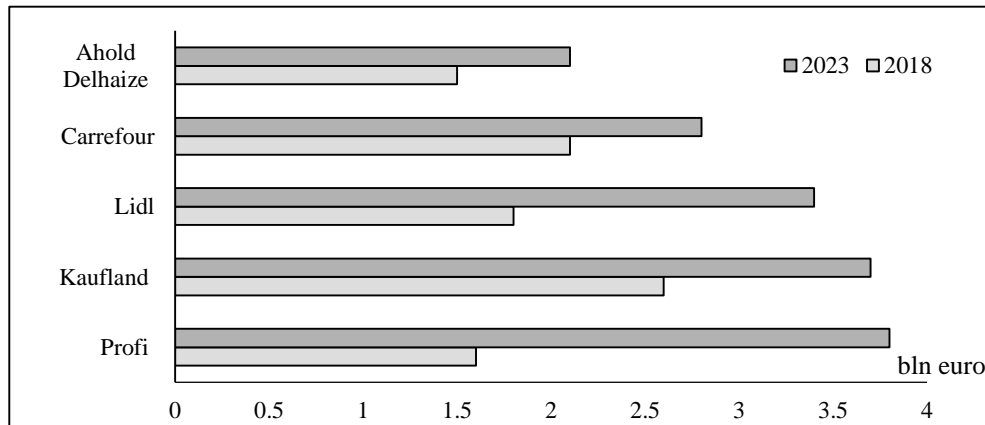


Figure no 9: Forecasts of sales of the main FMCG companies in Romania (Gross retail sales, in billion euro)

Source: Authors, using Retail - FMCG.ro, 2019b

Except Kaufland, all hypermarket operators in Romania have invested in developing an omni-channel strategy. In large cities, consumers are actively using these online platforms to save time and money. Moving to or from cities where consumers have jobs can take long periods of time, and online shopping platforms can help consumers save time. Carrefour is currently the most active player in this space, offering both an online platform and a dedicated application. In addition, by means of third-party applications such as Bringo owned by Carrefour, consumers can buy goods online from any hypermarket. The app does not allow consumers to view the full range of other hypermarkets, such as Kaufland. Consumers can use Bringo in order to buy goods from Kaufland, but they must already know what is available in its offer.

The development of the segment of *domestic products marketed in the hypermarket* is one of the most obvious changes in consumer behaviour and purchasing at European level, which emerged during the economic crisis. Lately, the consumer goods trading networks operating in the national market have begun to market indigenous products, promoted under the brand name "Made in Romania". Compared to western European markets, the increase in demand for Romanian products is mainly due to consumers' desire to regain traditional tastes, doubled by the perception that domestic products are fresher, healthier and tastier, and, why not, cheaper (Ardelean, 2014). In this direction, FMCG operators have encouraged local farmers to form associations large enough to meet the needs of the distribution channel, which can be considered to be a great success, as the government has tried and failed to do so by means of various programs. The demand for local products has given a strong impetus to the enterprises of the local producers who want to be part of an association, but the presence of the Romanian products in hypermarkets has affected the activity of the traditional farmers' markets.

Conclusions

The FMCG market in Romania has begun to adapt and redirect investments, not only by means of extensions, but also by renovating older units, with updated formats more suited

to the preferences of urban consumers. Retailers have begun to focus on adapting the exterior appearance of stores, new concepts, category management projects, premium private labels, on improving product assortments, as well as interesting digital and communication initiatives, as well as the concept of "daily low price". Although the initiatives to promote Romanian products in modern retail networks seem to support domestic producers, in the long term it will further reduce the share of Romanian capital on the agri-food sector, and the disappearance rate of small companies with Romanian capital will continue to be high.

An interesting initiative is to improve the image of FMCG companies in Romania, by involving them in social projects, the first initiative belonging to the Kaufland operator.

The phenomenon of the development of the FMCG market in Romania will continue in the next period, as other operators, from the West or the East, and who are not present on the market, are expected to make an appearance.

Acknowledgments: „This work was supported by the project “Excellence, performance and competitiveness in the R&D&I activities at “Dunarea de Jos” University of Galati”, acronym “EXPERT”, financed by the Romanian Ministry of Research and Innovation, Programme 1 – Development of the national research and development system, Sub-programme 1.2 – Institutional Performance – Projects for financing excellence in R&D&I, Contract no. 14PFE/17.10.2018”.

References

- Amoako, G.K. and Okpattah, B.K., 2018. Unleashing salesforce performance: The impacts of personal branding and technology in an emerging market. *Technology in Society*, [e-journal] 54, pp. 20-26. DOI: 10.1016/j.techsoc.2018.01.013.
- Ardelean, R., 2014. Strategiile din spatele sloganului “made in Romania”. *Progresiv Revue*, [online] Available at: <<https://www.magazinulprogresiv.ro/articles/strategiile-din-spatele-sloganului-made-romania>> [Accessed 28 August 2019].
- Basson, L.M., Kilbourn, P.J. and Walters, J., 2019. Forecast accuracy in demand planning: A fast-moving consumer goods case study. *Journal of Transport and Supply Chain Management*, [e-journal] 13, p. a427. DOI: 10.4102/jtscm.v13i0.427.
- Benrqa, Y., 2019, Costs and benefits of using cross-docking in the retail supply chain: A case study of an FMCG company. *International Journal of Retail & Distribution Management*, [e-journal] 47(4), pp. 412-432, DOI: 10.1108/IJRDM-07-2018-0119.
- Beragua, 2018. *Case study – Introduction to the Romanian food retail market*. [online] Available at: <<https://www.beragua.com/en/docs/Romanian%20food%20retail%20market.pdf>> [Accessed 28 August 2019].
- Cazabat, G., Belu, M. G., Popa, I. and Paraschiv, D.M., 2017. Models and Practice of Retail Location on the Romanian Market. *Amfiteatru Economic*, 19 (45), pp. 493-508.
- Cha, Y.U. and Park, M.J., 2019, Consumer preference and market segmentation strategy in the fast-moving consumer goods industry: The case of women's disposable sanitary pads. *Sustainable Production and Consumption*, [e-journal] 19, pp. 130-140. DOI: 10.1016/j.spc.2019.04.002.
- Coca, V, Dobre, M. and Vasiliu, C., 2013. Towards a sustainable development of the Romanian retail trade. *Amfiteatru Economic*, XV (Special no. 7), pp. 406-425.

- Costea, M., 2016. Consumption-based economy. the case of Romania in the last two decades. *Ecoforum*, 5(Special no.), pp. 56-63.
- Cristache, S.E., Ciobotar, G.N. and Kailan, C., 2015. New Trends in Commercial Technologies in Romania: Evolution of Electronic Commerce as Multichannel Retailing Instrument. *Procedia Economics and Finance*, 27, pp. 351-360.
- Dabija, D.C. and Pop, C.M., 2016. Green marketing – Factor of Competitiveness in Retailing. *Environmental Engineering and Management Journal*, 12 (2), pp. 393-400.
- Dinu, V., 2008. The ethical dimension of business. *Amfiteatru Economic*, 10(23), pp. 7-8.
- Euromonitor Internațional, 2019. Hypermarkets in Romania. *Passport* [online] Available at: <<https://www.e-nformation.ro>> [Accessed 29 August 2019].
- GfK, 2019. *Piața FMCG a avut un avans de aproape 6% în 2018, influențată de creșterea prețurilor*, Comunicat de presă. [online]. Available at: <<https://www.gfk.com/ro/noutati/comunicate-de-presa/piata-fmcg-a-avut-un-avans-de-aproape-6-in-2018-influentata-de-cresterea-preturilor>> [Accessed 28 July 2019].
- Institutul Național de statistică INS, 2019. Cifra de afaceri din comerțul cu amănuntul în luna ianuarie 2019, Comunicat de presă Nr 51/2019. [online] Available at: <http://www.insse.ro/cms/sites/default/files/com_presa/com_pdf/com_amanunt_01r19.pdf> [Accessed 29 August 2019].
- Kuzmina, K., Prendeville, S., Walker, D. and Charnley, F., 2019. Future scenarios for fast-moving consumer goods in a circular economy. *Futures*, [e-journal] 107, pp. 74-88. DOI: 10.1016/j.futures.2018.12.001.
- LZ Retailytics, 2018. *Local Heroes Rise in CEE*. Report prepared by Sebastian Rennack. [online] Available at: <<https://www.retailytics.com/blog/local-heroes-rise-in-cee>> [Accessed 20 March 2019].
- Matic, K., Petljak, K. and Stulec, I., 2019. Adoption of Self-Checkouts in Fast Moving Consumer Goods Purchase among Young Consumers in Croatia. *Ekonomski Pregled*, [e-journal] 70(2), pp. 301-339. DOI: 10.32910/ep.70.2.7.
- Pavlikova, M., 2018. Adaptation of Key Factors of Retail Management in Central and Eastern European Fast-moving Consumer Goods Retail Companies. In: s.n. *Thw 18th International Joint Conference: Central and Eastern Europe in the Changing Business Environment*. Bratislava, Slovakia. 25 May 2018. S.I: Cerna .
- Retail-FMCG.ro, 2018. *Analiză. Retailul românesc depășește pragul de 100 miliarde lei*. [online] Available at: <<https://www.retail-fmcg.ro/analize/analiza-retailul-alimentar-romanesc.html>> [Accessed 2 May 2019].
- Retail-FMCG.ro, 2019a. *Formatele de magazine de dimensiuni mici din Europa Centrală și de Est au adus consolidarea pieței de retail din această regiune*. [online] Available at: <<https://www.retail-fmcg.ro/analize/formatele-mici-retail.html>> [Accessed 28 May 2019].
- Retail-FMCG.ro, 2019b, *Profi poate deveni liderul pieței de retail din România în 2023*. [online] Available at: <<https://www.retail-fmcg.ro/continut-premium/profi-lider-in-2023.html>> [Accessed 12 May 2019].
- Săvoiu, G., Crăciuneanu, V. and Țaicu, M., 2010, O metodă statistică nouă de analiză a concentrării sau diversificării piețelor. *Revista Română de Statistică*, [online] 2/2010. Available at: <http://www.revistadestatistica.ro/old/Articole/2010/A3ro_2-2010.pdf>, [Accessed 12 March 2019].
- Solja, E., Liljander, V. and Soderlund, M., 2018. Short brand stories on packaging: An examination of consumer responses. *Psychology & Marketing*, [e-journal] 35(4), pp.294-306. DOI: 10.1002/mar.21087.

- Stanciu, S., 2015, The Romanian Retail Food Market-Survival or Success for Domestic Companies. *Procedia Economics and Finance*, 23, pp.1584-1589.
- Stanciu, S. and Bichescu, C.I., 2018. Considerations on the Romanian International Trade with Agri-Food Products. *Annals of "Dunarea de Jos" University of Galati*, Fascicle I. Economics and Applied Informatics, 13(2/2018), pp. 29-36.
- Stanciu, S., Zlati, M.L., Antohi, V.M. and Bichescu, C.I., 2018. The Development Analysis of the Romanian Traditional Product Market Based on the Performance Model for Sustainable Economic Development. *Sustainability*, 11(4), pp. 1123-1145.
- Stănciulescu, C.G. and Țițin, E., 2006. The Product Quality and the Consumer Protection. *Amfiteatru Economic*, 8(20), pp. 150-155.
- Tamuliene, V., Raupeliene, A. and Kazlauskiene, E., 2017, Farmers' Preferences Selecting Agricultural Consulting Services, *Montenegrin Journal of Economics*, 13(4), pp.79-87.
- TopFirme, 2019. *Comerț cu amănuntul în magazine nespecializate, cu vânzare predominantă de produse alimentare, băuturi și tutun*. [online] Available at: <<https://www.topfirme.com/caen/4711>> [Accessed 2 May 2019].
- USDA Foreign Agricultural Service, 2018. *Romania. Retail Food Sector*. [online] Available at: <https://gain.fas.usda.gov/Recent%20GAIN%20Publications/Retail%20Food%20Sector%20_Bucharest_Romania_7-30-2018.pdf>, [Accessed 20 April 2019].
- Van der Laan, A. Z. and Aurisicchio, M., 2019, Archetypical consumer roles in closing the loops of resource flows for Fast-Moving Consumer Goods. *Journal of Cleaner Production*, [e-journal] 236. DOI: 10.1016/j.jclepro.2019.06.306.
- Verma, S. and Rojhe, K.C., 2019. Review of Evaluative Criteria used by Consumers Preceding Purchase Decisions of FMCGs (Fast Moving Consumer Goods). *NMIMS Management Review*, 36(3), pp. 10-26.
- Yang, D.Z. and Zhang, A.N., 2019. Impact of Information Sharing and Forecast Combination on Fast-Moving-Consumer-Goods Demand Forecast Accuracy. *Information*, [e-journal] 10(8). DOI: 10.3390/info10080260.