

Friends or false friends

Nicolaie Mihaiescu

Abstract

Transnational entities dealing with hypermarkets and supermarkets entered Romania starting from middle 90' and were welcomed here both by authorities and the consumer population. They registered huge turnover and this is why they still come to Romania even if now there is a hard competition among them. Romanians considered them friends since they brought with them a modern commerce, big and attractive selling facilities and a cleaner and modern urban areas. They also offered costumers a large variety of goods.

That is one side of the coin. Let us see the other one. Romanian traders and consumer goods producers were not prepared to compete with the big ones coming from abroad and thus collapsed some went bankruptcies and the unemployment grew. Transnational hyper or super markets had bad commercial practice towards their Romanian partners that sold goods to them imposing taxes, asking for hard discount on prices and other unusual burden. They promise to promote local products but failed to do this at the scale they declared. The hard competition between them and between them and local traders had very bad effects on Romanian home trade which now is almost disarray. Besides a lot of bankruptcies happened due to this uneven competition and the state must cover now all costs.

They come here as friends, we welcomed them as friends but we found that in some circumstances they were false friends and what we have to do is to revised Romanian authorities attitude toward them and to encourage local traders in their effort to compete with this superpowers of commerce.

Keywords: transnational entity in Romania, hypermarkets, local traders, trade companies bankruptcy, false friends

Friends or false friends? This is the question.

Did they come to bring prosperity for this country or for themselves only? Are they friends indeed? All these questions are concerning us several years after the honey moon of big hypermarkets presence in Romania ended.

The story begun in middle 90' when Metro stepped firstly on this very young market of a country with a huge potential. Then they all come in a hurry perfectly compared with the famous gold rush to the American far west. Metro, Carrefour, Billa, Kaufland, Cora, Rewe, Auchan and their associates and also some European discounter are all here.

They come in the best moment of their development because before 2007 Romania made great efforts to enter the European market and to become a member of the European community. Under the circumstances Romania was very much open for any kind of concessions and so offered big facilities to

the implantation of hyper and super markets to cope with the principles of free goods and capitals movement one of the most important pillar of the European Community.

Despite of the fact that all that big transnational trade companies are considered among the important foreign investors into Romanian economy it seems that in some cases the Romanian economy invests into them because the Romanian governments granted facilities in taxes and other financial obligations that a Romanian retailer has never benefited of. On the other hand, all French firms holding hyper or super markets in their 3-4 years of activity in Romania reported financial loss and so they paid no duties and taxes (like the one for their profit), except those connected to the workers income. They did that even if their turnover was by far bigger than in the country of origin. In 2003-2004 a single Cora hypermarket in Romania counted for around 2-3% of the company world sales. They reported "loss" but still opened new facilities which meant new big money investment .

According to a Newsin report citing Nielsen research company ,at the end of 2008 there were 38 hypermarkets (of which Carrefour holds 15) ,123 supermarkets (of which Billa holds 30) 195 discount market (Penny, Plus)and 40 cash and carry (Metro, Selgros and other)all around Romania, in big and small towns. It is possible that less than 2-3 % of them are local companies with Romanian capital. In 2008 the first 3 retailers, Carrefour, Kaufland, Billa hold together about 20 % of the market and their all market margin is still growing.

Considering transnational retailers in terms of friends or false friends let us see first the friendly behavior the Romanian authorities extended to them. So we can talk about all kind of support including land acquisition, construction and other kind of authorization required bay local laws. Then it is to say that in many cases, they were given tax facilities. Very important for hypermarket holders was that ,despite the general accepted rules, central or local authorities allowed hypermarkets to be placed inside towns even near the central area or the residential areas something completely forbidden elsewhere. The authorities refrained from taking severe attitude when some nonobservance of rules occurred in trading or customer protection.

One must say that maybe the most important thing for hypermarket companies was the unusual warm reception they were given by Romanian customers all over the country.

For Romanian retailers the transnational outlets brought great disappointment and even jeopardize their business. The most important problem was that in the absence of a real support from the authorities, Romanian traders were forced to compete with much more experienced merchants having big money to handle. Now it was proven that this kind of uneven and hard competition lead to many bankruptcies of small and medium local commercial company .This way both Romanian home commerce and Romanian people lost something . Companies lost money and had to cover this by asking for bank loans that require material guaranties and this were not at hand. On the other side the customers were forced to find another source of goods, for instance a hypermarket (!!), when Romanian retailer they used to visit daily disappeared. Unemployment increased leaving on Romanian state the burden to cover it financially. Besides, nowadays Romanian home trade is almost demolished especially

in what medium and big shop are concerned and the process is still growing due to foreign presence of which transnational hyper or super market are the most important.

Today Romania is populated not only by transnational hypermarkets but also by usual small or big shops specialized in producing and selling food or non food products of all variety of items .All these small companies belong to local people and become partners to hypermarkets either opening small outlets inside their area or supplying goods on contractual basis.

Some analysts say that most of transnational companies at the moment of entering Romanian market shown the willing to promote our products and thus helping local industries. This fact barely happened. They usually bring goods from the country of origin and from stocks under control of their sister located in other European countries.

Yet transnational hypermarkets are selling some Romanian consumer goods and they deal with many companies producing or distributing them all over the country. During the last 6-7 month professional associations from commerce and food industry had protested against many bad practice of the hypermarket that asked Romanian supplying companies unjustified and unusual money payments and big price discounts. The clash ended with government intervention and the promise that both sides will try to issue a set of rules for their future good cooperation. We are not the only country having conflicts with these superpowers but so far they were without the contribution or any involvement of the officials like it happened 10 years ago in Poland, Greece, Spain, and Portugal. They are not to blame; they act naturally to maximize their profit .

So far it is difficult to say whether transnational entities were friends. But let us take a look to the circumstances where they proved to be friends.

First of all, when they come they brought here a piece of civilized Europe something that we sincerely hope to see all around us forever. The way they act from professional point of view was an example to Romanian businessmen. They offered Romanian customer incomparable large variety of consumer goods of high quality in most of the cases. So they are all in line with a perfect ECR (Efficient Consumer Response). They helped to a more rapid money circulation and contributed, even in a small scale, to the efforts of authorities to diminish the power of black market offering something better as alternative. Unfortunately what they get as profit from withdrawing market availabilities went abroad.

These days there are hyper or supermarket in each town of Romania and their good name spread all over the country. And this happened not only due to their high quality service and commodity but also because any implantation of such commercial structure brought along new or repaired streets, new lane and parks, new bus lines some carrying people free of charge, and above all they brought little more order and cleaner urban areas.

For many trade specialists transnational hyper or supermarkets were acting on this market more unfriendly then friendly so they provided more disadvantages then advantages to Romanian economy. Ironically this was not due to them entirely. I might say that local or central authorities did a lot of mistakes no matter such mistakes were sometimes on purpose or not. We all were unprepared to cope

with the new situation after 1990 and we did not know how to proceed to both stimulate the foreign investment and protect our own traders and economy as a whole. First, we missed to negotiate the most important terms of their status here and now, even not too late, it is quite impossible to radically get rid of all the problems. Second, there were no efforts from the Governments to support Romanian capital and to make local traders strong enough to compete with their big western partners but we still hope to see that one day.