

MIC.Ro ... end of the road ?

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Abstract

The article analyses the MIC.Ro business from various perspectives, in order to gain some understanding of what the future looks like for the business. One very important aspect to be mentioned in this analysis is the competition coming from foreign traders, or European giants such as Delhaize, Carrefour, or Metro. Other aspects of analysis refer to the location of the MIC.Ro stores, the way the MIC Ro network was built, the design of the stores as well as the price policy.

Key words: retail, stores, price policy

JEL Classification: L 11, L 14, L 81

Introduction

If you remember, in an article several month ago, my comment on MIC. Ro was both optimistic and pessimistic .Unfortunately I have to admit today that what I presume regarding the MIC.Ro future is near to prove right .The competition of foreign traders almost killed what had to be a promising adventure.

MIC.Ro was welcome by many observers as a hope for local capital to produce economic effects within the Romanian home trade which day by day seems to fade away. And this is the aftermath of something that can be called (just be in the trend !!), “occupy Romania “, i.e. occupy Romanian local market , a long term policy of the Europe giants like Delhaize, Carrefour, Metro a.s.o.

To me it is hard to understand why those giants still come to us while nowadays living standard is lower than 6-7 years back .In my residential district somewhere near the former “23 August”big metal plant, on an area of less than 20 streets (to my count about 5-6 sq Km) , in 1995 there were about 6-7 big food stores and some milk and bread outlets. Now we have Auchan and Cora hypermarkets, 2 Mega Image stores, a Billa, a Carrefour, a Lidl, and 3 MIC Ro. Besides, there are 2 or 3 food market stores and an open market mainly for country side producers. All old shops disappeared and the Romanian shop keepers closed their business for ever. So, “our friends “ cleaned the place and got rid of local competitors. I expect they will realize that such a crowded market with modest earning people cannot produce efficiency. But this is another story.

What is the future of MIC.RO?

What interested me is the fate of this MIC. Ro which according to some newspapers, started closing many stores mainly in other towns like Oradea and the whole organization have a huge

debts to the suppliers. So they have to think of reevaluating their business plan and policy so they eventually survive but I have little hope in this respect. And I tell you why: I used to visit MIC Ro shops daily , every time at different hours so I can see who are the customers. I never saw more than 2 or 3 people at a time and mainly at noon no one stepped in for hours.

In my view, something has not been carefully took into consideration. One cannot open an outlet just in between the “Giant” stores. That was a mistake because no one in Romania today can compete and fight against Cora, Carrefour , Mega Image an so on. First reason is the price and MIC Ro is unable to resist and second, the variety of goods is not to be compared and there is no special item to capture people to buy. During winter time the price problem in competition to the open peasants market, in what fruit and vegetables are concerned, is easier because as soon as weather become harsh vegetable price rise while for hyper or super markets as well as for a network like MIC.ro prices could remain almost stable because there are different sources of goods. In Romania, today, almost 70 % of food products are imported from a variety of world areas and this is an advantage. Let us take an example of recent winter days. A kilo of imported carrots varies from 1.5 to 2.5 lei in big stores and abt.4-6 lei Romanian carrots in peasants outlets. Same happens to potatoes, onion and so on . MICRo prices are in between for some goods and at the highest level for many others. I read a funny story in a newspaper recently that reflects the MICRo prices : MICRo attendants use to buy their daily cigarettes and refreshments in nearby shops instead to their own just to save some money!!!

Another story, yet unconfirmed ,is that MIC Ro network was mainly built on money provided by the goods suppliers which means that MICRo sold their goods and instead of paying the invoices have used money to invest in the network. In other words MICRo investment was based on other’s money not on the owner’s. If so, that explains why relationship with good suppliers deteriorated .

There are also some technical items to discuss –stores area is ,in some cases, to big and lighting as well as some shop equipment are too expensive compared to sales volume. I dare to say that the MICRo very poor advertising may also be taken into consideration.

All in all, the price policy will finally be decisive in this war .. I may say that foreign big traders present here have already learned that more than half of Romanian consumers reason to buy is the price and not only the goods quality . But they have enough funds to sustain such price policies to beat any competition. And the victim are such shops like MICRo’s.

In mean time, MIC Ro. will be obliged to review the number of stores and do something to reduce the risk of bankruptcy.

My final question of the previous article on the same matter, “Competition, what is this?” remained unanswered and nobody can do something in this respect.

Unfortunately!!