Bolletje, towards a multinational company.
The investment entry decision for Romania.

Master thesis business administration
International management

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Management summary

Bolletje is an industrial bakery headquartered in Almelo, the Netherlands. Bolletje employs more then 500 people distributed over her production facilities in Amsterdam, Heerde and Almelo. Here Bolletje produces over sixty different products assorted over six segments.
Bolletje relies heavily on its home-market the Netherlands, 80% of turnover is made there. Bolletje figures the growth has come to an end for her traditional products and therefore it is looking for new markets. Eastern Europe has come under her attention and Romania in specific. In the first place not to solely export but to set up production in Romania as well. This could be a Greenfield, a joint venture, an equity joint venture or acquisition.
This consideration led to the following problem formulation:

To what extend is Romania appropriate to invest in for Bolletje, and if so, which partner would be most suitable to collaborate with?

The research basically consists of two parts. One is to validate Bolletje's decision to enter the Romanian market and the decision to enter it through an investment entry. The other consists of identifying and analysing suitable partners.
The first step was to find out if an investment entry should be executed from an internal perspective. This was done by performing an internal analysis. Interviews with the CEO and head of exports were held to make clear all goals and objectives. Then Bolletje's resource and commitment factors and product factors were analysed, also partially based on the interviews. It became clear Bolletje had a serious commitment to the investment project besides this her goals and objectives could be met by this investment opportunity. Also her resource factors and product factors appeared suitable for investment.

The second step was to validate an investment entry by Bolletje for Romania and its bakery sector. This was done by an assessment of the Romanian investment climate based on the checklist for evaluating the investment climate of a foreign target country by Root (1994). First we evaluated the Romanian bakery sector which proofed very healthy with a lot of potential. Second we analysed the Romanian investment climate which proofed to be among the most promising of the CEE region. The next step was evaluating the forecasted return on investment. This was not possible due to a lack of information and specific knowledge, we therefore executed a cost price comparison between Romania and the Netherlands of a sample product. It turned out that a cost price reduction of 30% should be feasible, mainly due to the lower wages. Overall the investment climate can be labelled as good, and interesting for investment.

The third step was to identify and analyse suitable partners. This is done by setting up a candidate pool. We have selected 33 potential partners. These candidates were screened on product/market fit, size and brand awareness. After this screening five companies remained for further investigation. They are: Croco, Dobrogea, Pan group, Galmopan and Alka. Based upon all indications in this research we find these companies very interesting for more in-depth analysis. They could become valuable partners to achieve a stable position in the Romanian market.

When the five potential partners were selected we analysed them more in-depth. First we analysed the companies on the criteria used in a former research of Bolletje by Vlietman and van der Zwam (2006). After this we should have analysed the companies on the task and partner related criteria of Cavusgil et al. (2002). Due to our inability to go to Romania and a lack of information we were not able to execute this step.

Therefore we provided Bolletje with the following recommendations:

- Contact the shortlist companies for there interest in cooperation. Preferable by a face to face meeting. This to bias a direct rejection of the target company when it receives, for example, a phone call and is not able to judge the full intent of Bolletje.
- Conduct further research on the shortlist companies
    - This can be done by analysing the five companies further on the criteria from the former Bolletje research and on the task and partner related criteria. The task and partner related criteria can be given weights and then score points based on the in-depth analysis. These scores can then be processed in the final diagram to be able to identify the best candidate to invest in. The process is described in section 6.4.3. and 6.5.2.
    - Hire external expertise to analyse the companies more in-depth. Experts from, for example, Price Waterhouse Coopers Romania will have better access to information. They own the know how of doing business in Romania and might open doors that stay closed to others. Besides this they can advise about common pitfalls and the trustworthiness of the five candidates.
- Monitor the Romanian environment on important indicators.
    - The Romanian environment has changed since the beginning of this research. The data used was mainly gathered during the second quarter of 2008. Also due to the worldwide credit crisis it is important for Bolletje to keep monitoring the environment of Romania for important changes.
- Benefit in a broader sense.
    - Identify more opportunities from having a subsidiary in Romania.
        - Relocate Dutch production.
        - Export from Romania.

Preface

The first five months of this project were conducted at the Bolletje production site in Almelo. I have come to know Bolletje as a very interesting organisation in a dynamic market. The months I have been there were very educational for me. I am very grateful to Bolletje for giving me this opportunity and letting me into their organization. My special thanks goes out to the department of exports with in particular Mr. Vlietman who gave me the opportunity to conduct my research within Bolletje and who was very helpful to me.

The next few moths I have been finalising the research at the University of Twente. Due to the expertise of Mr. Maathuis and Mr. de Bruijn I was able to finalize the research. Therefore my special thanks goes out to them as well.

Overall it has been a great learning experience. I hope Bolletje will consider my research and find it useful in her pursuit of becoming a multinational company.

Enschede, January 23rd 2009,

John Rutjes

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1. Research Plan

1.1 Background and objective

Bolletje is a Dutch industrial bakery headquartered in Almelo. Bolletje employs more then 500 people distributed over three bakeries in Almelo, Heerde and Amsterdam. Bolletje was founded in 1867 as a small-scale local bakery. In 1954 the family ter Beek opened a larger scale industrial bakery specialized in rusk. In that time most rusk was sold by small scale bakeries which produced the rusk themselves. Bolletje on the other hand envisioned that in the future groceries and later supermarkets would be selling more rusk then the local bakeries. They were right, and due to this focus on supermarkets Bolletje could grow along with the increasing demand for rusk through this channel.

Later in the early sixties Bolletje made another important strategic decision. The family ter Beek figured it would be to risky to focus only on rusk and so they came up with an diversifying strategy. Bolletje needed a broader product range to grow in the market and secure it's continuity. To achieve this Bolletje took over more then ten companies in different segments of the market. Nowadays Bolletje produces over 60 different products assorted over six segments, she also operates as an individual A-brand for over fifty years now.

Bolletje relies heavily on its strong home market the Netherlands, about 80 percent of its turnover is made here. The other 20 percent is exported to a few European countries and to the Dutch communities overseas in for example Australia. The exports exist of a few products mainly pita, biscuit and rusk.

Bolletje would like to grow internationally and become less dependent on the home market. Therefore she can try to increase exports like she already does right now. But Bolletje is more interested in penetrating the market through other entry modes like an equity joint venture or acquisition. Eastern Europe could be a very attractive market, in the view of selling products but also to produce locally. This is mainly due to the lower wages if we look at production and due to the increasing GDP if we look at selling potential.

Bolletje has some contacts in Romania but is still in the start-up phase. From Bolletje I was given the task to look specifically in Romania for a partner to collaborate with. The minimal activity Bolletje would like to create in Romania is direct export. However Bolletje prefers a long term presence in the form of an equity joint venture or acquisition. It is most important that the potential partner is in possession of cost efficient production factors, has good distribution channels to the local market and owns a nationally known brand. This brings me to the following objective for my research:

> *The objective for this research is to advise Bolletje about how to enter the Romanian market and how to select a suitable partner to collaborate with.*

1.2 Problem formulation

Based upon the background of the research and the formulated objective, we now define the problem formulation. To come to a solid problem formulation the following aspects are considered.

The objective of the study can be categorized as an strategic objective. The strategy can be seen as a path or plan of actions which needs to be followed to achieve the stated goals and objectives.

An important aspect in this research is the dual goal of Bolletje. One goal is to become less dependant on the home market, the other goal is to grow as a company. By expanding her position in Central and Eastern Europe this can be achieved. Growth is an important factor, also stated in the strategic year plan 2008 of Bolletje (internal document).

Bolletje would like to get in touch with companies who are willing to cooperate in setting up an equity joint venture or who are ready to be acquired. Bolletje chooses Romania for recent macro economic developments like; growing GDP, low-cost production factors and the further improvement of distribution channels. Considering al this we come to the following problem definition.

To what extend is Romania appropriate to invest in for Bolletje, and if so, which partner would be most suitable to collaborate with?

1.3 Research questions

To cover all aspects of the research we breakdown the problem definition into research questions. The research basically consists of two parts. One is to validate Bolletje's decision to enter the Romanian market and the decision to enter it through an investment entry. The other consists of finding and analysing suitable partners. To cover all aspects I designed four research questions.

Research questions:

Question 1) To which extend is an investment entry mode suitable for Bolletje from an internal perspective point of view?

Question 2) To what extend is Romania and the bakery sector attractive for an investment entry mode?

Question 3) What partner selection criteria and approach should Bolletje use in order to identify a suitable partner?

Question 4) How do selected companies score on these criteria?

1.4 Research approach

In designing a research study, one of the most significant decisions is the research approach. This because the research approach determines how the necessary information will be obtained.
All research approaches can be classified into one of three general categories of research: exploratory, descriptive and causal. These categories differ significant in terms of research purpose, research questions, the precision of the hypotheses that are formed and the data collection methods that are used (Aaker, Kumar & Day, 1995).

The research I will perform can be defined as part exploratory and part descriptive research. The definition of exploratory research states: 'Exploratory research is used when one is seeking insight into the general nature of a problem, the problem decision alternatives and relevant variables that need to be considered. Typically there is little prior knowledge on which to build. The research methods are highly flexible, unstructured and qualitative for the researcher begins without preconceptions as to what will be found.'
The definition of descriptive research states: 'Descriptive research embraces a large proportion of marketing research. The purpose is to provide an accurate snapshot of some aspects of the market environment.' (Aaker, et al. 1995)

The method of data collection is about the choice between primary and secondary data. Aaker et al. (1995) give a satisfying definition of both.

The definition of primary data:

> 'Primary data is data collected to address a specific research objective' (Aaker, et al. 1995)

The disadvantage of primary data is that it is not ready available, it needs to be colleted and processed. The collection of primary data can be relatively costly compared to it's perceived value. Nevertheless it is important for many strategic decisions. Methods of primary data collection can range from qualitative research to surveys to experiments.

The definition of secondary data:

> 'Secondary data is data collected for some purpose other than the present research purpose' (Aaker, et al. 1995)

The advantage of secondary data is that it is ready available at low cost. But one has to be careful with outdated or too general macro information. In general secondary data is available through three types of sources: the company information system, data-bases of other organizations and syndicated data sources.

In this research I will make use of both types of data. At the start the lion share of information gathered will be secondary data. This will provide me with general information about some important topics like Romania and the Romanian market. Later on when in-depth information is not available I will have to gather the information by for example interviews and surveys. Also the internal analysis of Bolletje B.V. will generate the necessary primary data.

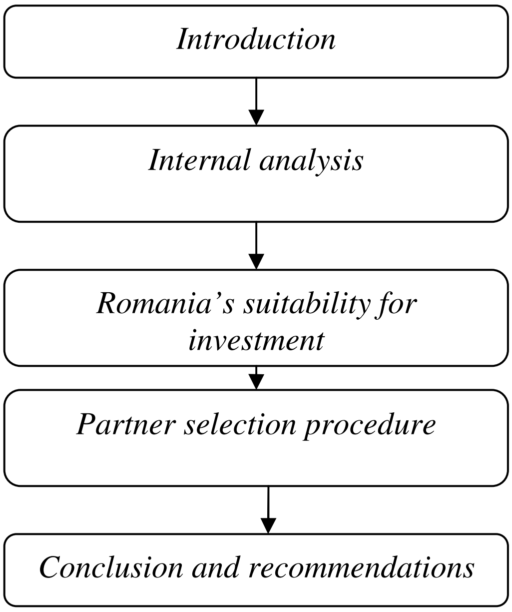
From the research objective I can identify the following units that have to be analyzed. The units of analysis are Bolletje B.V., the potential partner companies and the Romanian environment and market. The main purpose is to determine the best entry mode for Bolletje and for the Romanian market and identify important criteria for the selection of a suitable partner. Data will be collected through interviews, articles, and the internet.

To answer question one a internal analysis, in the form of interviews with the responsible managers, will be conducted. This analysis will make clear the strategic goals and objectives of Bolletje. Furthermore secondary information is gathered through the use of internal databases, memo's and the internet. Bolletje's arguments for entering Romania and choosing an investment mode will be mentioned too.

To answer question two, we gather information about the Romanian bakery sector and Romania. This information can be gathered through the internet, institutions and Bolletje B.V. Most of this information will be secondary, some will be primary due to elaboration from the interviews. The answering of question two should give insight into the extend in which Romania and its bakery sector are suitable for investment entry.

Question three will elaborate on question two. For the investment entry a suitable partner will be selected. Various models and checklists are available to design a decent partner selection procedure. Information will be gathered through the internet, institutions, Bolletje B.V., articles and books. This will be a combination of primary and secondary data.

1.5 Structure of the research



2. Models and Theories

2.1 Introduction

After writing the research plan it is relevant to address the models and theories that are selected from the literature study. The different models and theories will help formulate a solution to the problem definition in a scientific way. As the general structure of the research I have chosen for the model of Root (1994, p. 4) called: 'the elements of an international market entry strategy'.

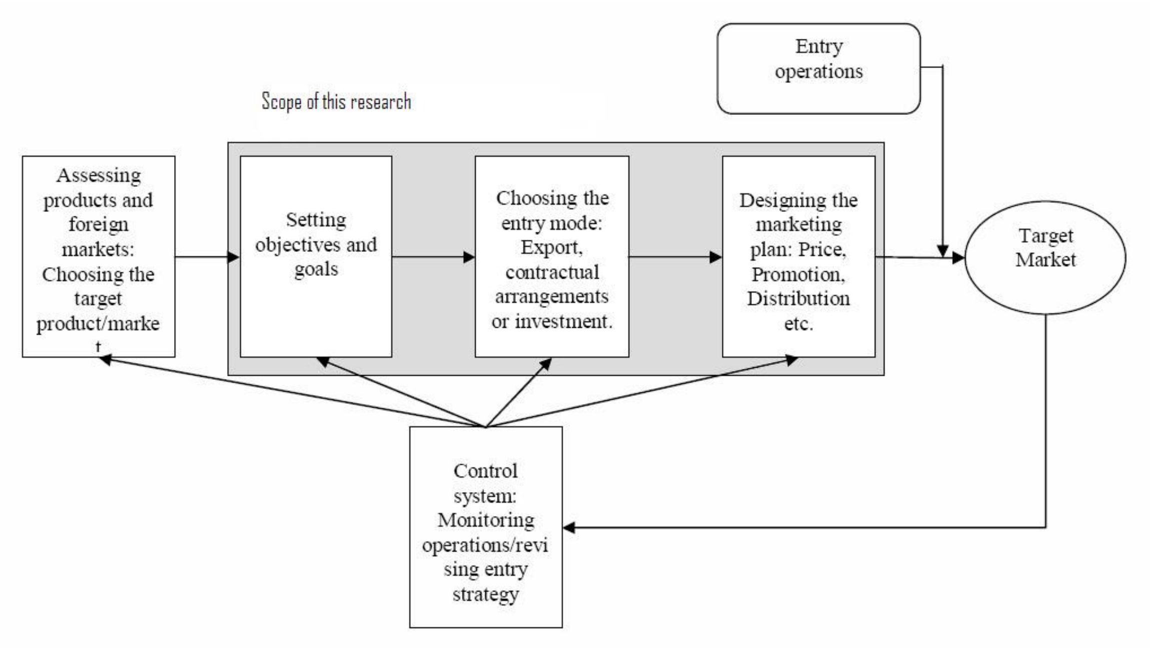


Figure 2.1 The elements of an international market entry strategy (Root, 1994).

The grey surrounded area in the model depicts the scope of this research. The first step is setting goals and objectives. These will be elaborated from interviews, internal documents and the internal database.

The next step in Root's (1994) model chooses the most suitable entry mode. Because Bolletje prefers an investment entry mode I will research the feasibility of an investment mode in this step. The next step in Root's (1994) model is designing the marketing plan. This can be seen as the execution plan of the chosen entry mode. Therefore I will elaborate on the investment entry mode by executing the partner selection procedure. The structure of the research is then as depicted in figure 2.2.

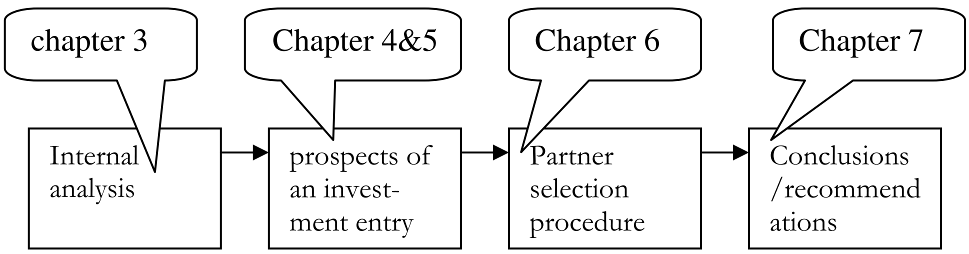


Figure 2.2 Structure of the research.

2.2 Internal analysis

The main purpose of the internal analysis is to define the objectives and goals Bolletje has for its internationalization and if these fit with an investment entry. Goals are general statements of aim or purpose, an objective is a more quantifiable (if possible) or more precise statement of the goal (Johnson and Scholes, 2005). Besides this I will asses Bolletje's resource and commitment factors and product factors to determine if they are compatible with an investment entry and what form of investment entry. From this assessment I will be able to draw conclusions about the legitimacy of Bolletje's preference for investment entry and whether or not an investment entry should be further investigated.

Defining objectives and goals

Objectives and goals will be elaborated from the interviews taken with Mr. van Ark and Mr. Vlietman. Mr Vlietman has been on a trading mission to Romania and is experienced with doing business in Romania. Mr. Vlietman is also the head of exports and responsible manager for Central and Eastern European activities. Mr van Ark is the CEO of Bolletje and can inform me about the goals and objectives Bolletje has for this project.

Primary goal of the interviews is to gain as much insight as possible into the objectives and goals of Bolletje and into the extent to which Bolletje is willing to put resources to the venture in Romania. The questions asked in the open interviews are attached in appendix A.

As can be seen in the initial model of Root (1994) every step of the model is involved in the control system. This means that as the research process evolves new information or events might change the directions taken in the different steps. For objectives and goals this might be particular true. As the process goes along more and more information becomes available and our view on the set objectives and goals might change. The interview with Mr. van Ark and Mr. Vlietman and further desk research will generate the information needed to set goals and objectives.

Resources

Resources are basically all the equipment, tangible and intangible, a company possesses to be able to carry out her daily operations. This can be capital, knowledge, people, production, land, marketing knowledge, etc (Root, 1994). For this research I will only analyze the resources which can influence the success of an investment entry. For an investment entry a company needs a good set of resources from capital to management skills. The most important resources a company needs for making such an entry are: capital, international management skills, marketing skills and production skills. The more abundant these resources are, the more likely the company will have no problems with managing the investment entry (Root,1994). I will discuss these resources with the CEO and head of export to determine if they are sufficient to carry out an investment entry.
Quantifying the resources is very hard, how can I for example quantify the amount of resources needed to make an investment entry. I will discuss the individual resources with the head of export and label them in categories. These will vary from very weak, weak, sufficient to good. From this analysis I will be able to draw conclusions about the extend to which Bolletje will be able to make an investment entry.

Commitment
Resources are not worth much if they are not committed to the project. Therefore I will also asses the willingness of Bolletje to really commit these resources to the venture. The degree of a companies commitment to internationalization is revealed by the role accorded to foreign markets in corporate strategy, the status of the international organization and the attitude of managers. For most companies international commitment has grown along with international experience over a lengthy period of time. Success in foreign markets has encouraged international commitment, which in turn led to more success. Failure of course will usually decrease a companies commitment to international business. (Root, 1994)
I will asses the role of investment entry or internationalization in Bolletjes corporate strategy, the status of the international organization and the attitudes of managers. This will be done by interviewing responsible managers and revising internal documents and the corporate strategy.
The commitment factors will be analysed in the same way as the resources. They will all be discussed and classified either very weak, weak, sufficient or good.

Product factors
Highly differentiated products with distinct advantages over competitive products give sellers a distinct degree of price discretion. Therefore such products can absorb high unit transportation costs and high import duties and still remain competitive in the foreign country. In contrast, low differentiated products must compete solely on price and are not able to carry the extra costs that occur through exports. This might stimulates to produce locally.
For Bolletje I will asses the retail prices in Romania to be able to draw conclusions about the feasibility of exports to Romania. These prices are available through the EVD. Besides this I will discuss the price discretion and product differentiation with Mr. Vlietman to draw conclusions about the product factors.

Root (1994) developed a model which structured the decision about which entry mode to use. I will not follow the entire model because Bolletje basically knows which entry mode it prefers to use and has good arguments for it. I will make a decision based on the analysis as described above.

2.3 Prospects of an investment entry

Here I will analyse Romania and the Romanian bakery sector to determine if they are suitable for the equity joint venture entry mode.
Root (1994) developed the 'Checkpoints in the investment decision process model' as depicted on the right in figure 2.3. The investment entry decision process involves several sub decisions with multiple feedbacks that stimulate the reconsideration of earlier decisions. Figure 2.3 seeks to structure this complex decision process by means of a sequence of checkpoints that need to be passed if an investment proposal is to gain acceptance.

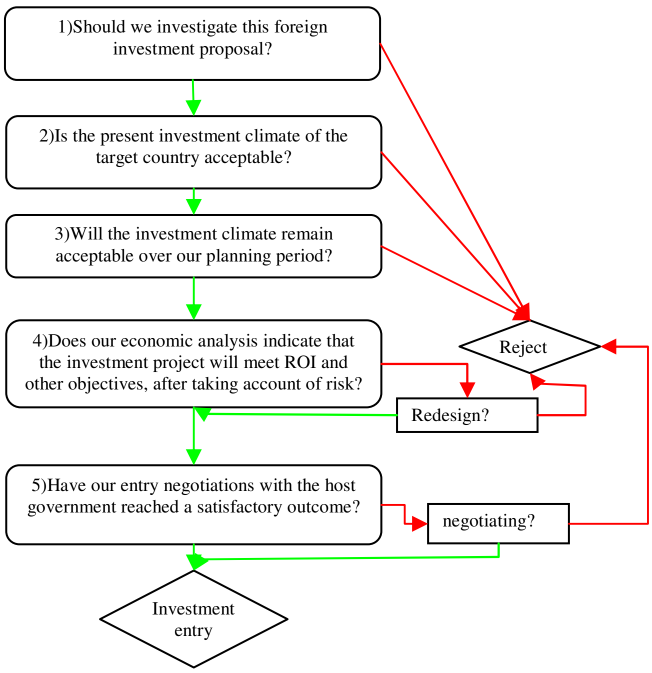


Figure 2.3 Checkpoints in the investment decision process model (Root, 1994)

The decision to investigate the foreign investment proposal is the first and most important checkpoint. The decision to investigate will require substantial management time and money, it will also tend to generate a commitment to invest in those managers carrying on the investigation. The decision to investigate therefore should only be taken after appraisal of alternative entry modes and alternative forms of investment entry. If managers agree that the most appropriate way to enter the target country is by investment, they should then go on to appraise alternative forms of investment entry: acquisition versus Greenfield, and sole venture versus joint venture. This entry strategy review ensures an to early adaptation of some form of investment entry. This biases the danger of tunnel vision (Root, 1994). In this model, again, we made some minor adaption's to fit our research. First the first question: Should we investigate this foreign investment proposal? Has been changed in: Is the Romanian bakery sector attractive for investment entry? This because the former question had already been answered with the execution of the internal analysis. Besides this we have put the emphasis on the first four questions in the model. This because the fifth question (Have our entry negotiations with the host government reached a satisfactory outcome?) can not be answered due to no contact with the host government. To answer the new first question the Romanian bakery sector will be analysed. If the sector turns out to be attractive we can start with the next step of assessing the investment climate. Please see figure 2.4 for the modified model.

Investment climate embraces all the environmental factors and forces (political, economic, and socio-cultural) that can have a significant influence on the profitability and safety of the proposed investment project. The second question is about the investment climate in Romania. To asses the investment climate the checklist for evaluating the investment climate of Root (1994, pp. 129) is used. This checklist covers all external factors that will need to be analysed to make a thorough decision.
From this analysis it is also possible to answer question three of the model. However, this can only be a prediction because one can never be one hundred percent sure about the future. The data gathered for this analysis is of secondary nature and can be found online, the websites are listed in the references. Also the internal report, Voorlopige marktverkenning Oost-Europa, (Vlietman, van der Zwam, 2006) and the interviews gain data about the near future of Romania's investment climate. The checklist is attached as appendix B.

Now the investment project has passed the first three checkpoints. This means we have decided that investment is the most appropriate entry strategy to built a long term market position and that the actual and prospected investment climates are acceptable. Now we can move on to checkpoint four: Does our economic analysis indicate that the investment project will meet ROI and other objectives, after taking account of risk?
To asses the projects profitability, managers need to identify and measure many factors that collectively determine the projects size, operating costs and revenues. I will use the checklist for profitability of investment by Root (1994) to analyse these factors. See appendix C. Some of the factors have already been analyzed during the research performed in order to be able to pass the previous checkpoints. Due to a lack of information we're not able draw any significant, quantifiable conclusions about the size of the investment, nor the total operating cost or revenues. But that is also not what is asked by Bolletje. Bolletje wants us to advise about whether or not to invest in Romania based on the internal analysis, the Romanian bakery sector and the Romanian investment climate. Bolletje does not what us to calculate what an investment is going to cost and what the return on it will be. Moreover we are also not able to do that. What can be done is compare the production costs of a Bolletje product with the production costs in Romania. This will help draw conclusions about whether or not to invest in Romania. The following factors are on the checklist for profitability of investment

and will be analysed: market factors, production/supply factors, labour factors and tax factors. Capital sourcing factors are also on the list but will not be analysed because Bolletje uses its own capital source. Information will be gathered through desk research.

Checkpoint five lies outside the scope of his research. There will be no negotiations with the host government during my research period. In the assessment of the investment climate on the other hand the government attitude towards foreign investment will be assessed. I will be able to make a prediction of government reaction on investment entry of Bolletje. Due to these alterations a new model arises as depicted in figure 2.4.

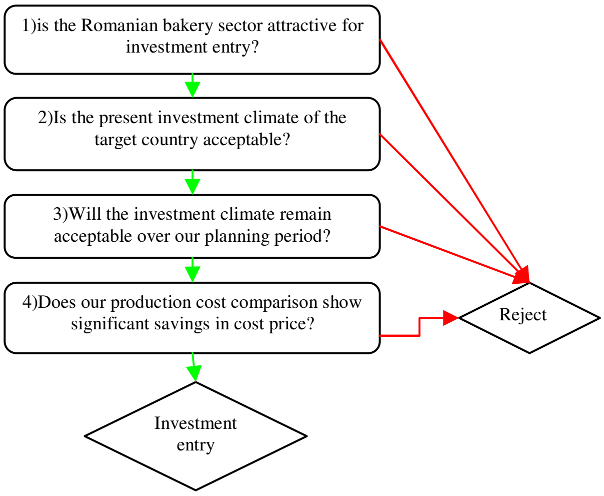


Figure 2.4 Modified checkpoints in the investment decision process model.

2.4 Developing a partner selection method

The partner selection procedure will be placed in chapter six. In the 'The elements of an international market entry strategy' (Root, 1994) model of Root (1994), this step is about designing the marketing plan. Looking at Bolletje's requirements (at this moment not looking for a marketing plan but a partner) I will modify this step into the selection of a suitable partner.

The method I will employ is used by Accenture, a leading consulting firm who is an acquisition strategy specialist. I obtained the method during a strategy workshop I followed at the University of Twente (2008).
First a candidate pool is generated then we will use two or three general selection rounds until, five or less companies remain that might be suitable as a partner to invest in. This can be visualised through an upside-down pyramid model, figure 2.5.

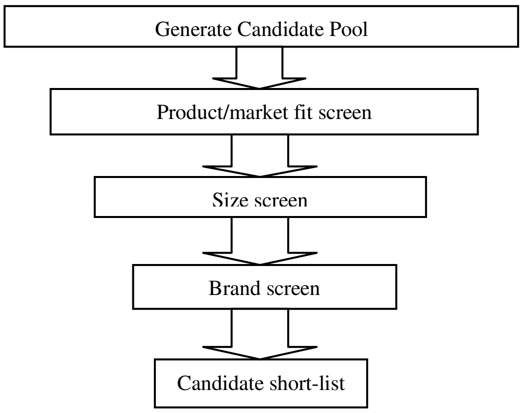


Figure 2.5 Selection of suitable partners (Accenture, 2008)

To generate the candidate pool we make use of the internet. Besides this we contact the Dutch chamber of commerce, the EVD and the Romanian chamber of commerce. These institutions might provided contact details or other information.

The criteria on which the selected companies are screened are elaborated from the partner profile. Bolletje is looking for a partner who fits her market and products and posses a nationally known brand. Besides this Bolletje is looking for a partner with a turnover between 5-50 mln. Euro.

The first selection will therefore be a selection on product/market fit. What products do the prospected partners sell and in what market do they operate, is this in line with Bolletje's expectations? To gather the data for this first screen I will make use of the internet and the internet sites of the involved companies.
The second screen will be on the size of the company. Is the turnover between 5 and 50 mln Euro? This is a somewhat broad measurement but Bolletje thinks it will become to expensive when the turnover lies above 50 mln. Euro. Bolletje on the other hand is very interested to even acquiring a small company with say a turnover of 5 mln. Euro. The third screen on brand awareness will be done together with the size screen, this is because the information is often found together and therefore is also efficient to process together. The brand screen looks into the brand awareness. Is the brand nationally known? What kind of marketing do they use, TV, radio etc.

After this the candidate pool should be reduced to a maximum of five companies. The companies on the shortlist will be analysed according to the factors found in the Market exploration report of Eastern Europe (Vlietman en van der Zwam, 2006). The results will be visualised in a table to make the analysis synoptic and mutual comparable. This step can not be carried out in full detail, it would require me and some specialists to travel to Romania and visit the companies. I will have to rely on desk research.

Subsequent, the companies will be analysed on two categories of criteria. In their book 'Doing business in emerging markets' Cavusgil et al. (2002) address the following two categories of criteria:

Partner related criteria
Partner related criteria refer to the qualifications of the partner, both tangible and intangible, that are not specific to the type of operations but affect the risk(s) faced. They include what might be called "personality traits" of the partner, such as business philosophy, reliability, motivation, commitment, intellectual property protection approach and some general characteristics, such as experience, reputation and political connections (Cavusgil et al., 2002, p. 113).

Task related criteria
Task related selection criteria refer to those criteria both tangible and intangible, human and nonhuman, that are relevant for the futures viability in terms of operational requirements. These variables are specific to operational resources and skills related to the venture such as financial, marketing, organizational, production and R&D resources and customer service (Cavusgil et al., 2002, p. 115).

To be able to put the outcome of the analysis in a diagram. I must create one score, on both categories of criteria, for every company on the short list. This can be done by the Simple Multi-attribute Rating Technique (Edwards,1971) SMART. This technique allocates different weights to the attributes (criteria) to give it more or less influence on the total score. Based on the analysis of the companies they score points on the different criteria. Because of the allocated weights, one criteria will have a bigger influence than the other. The company with the highest score will eventually be chosen to invest in.
To make a well funded decision about which company should be invested in, all criteria are compared to each other. First, in consultation with the head of exports we can determine which criteria are more important and second how much more important. Below in table 2.1 all partner related criteria can be compared to each other, the criteria that is more important

than the one compared with, receives a one, the other a zero. The criteria with five points is the most important one and should therefore have more influence. This must also be done for the task related criteria in table 2.2.

Partner related criteria	Partner Characteristics	Property Rights Protection	Compatibility of Business Philosophies	Commitment	Motivation	Reliability	**Total**
Partner Characteristics							
Property Rights Protection							
Compatibility of Business Philosophies							
Commitment							
Motivation							
Reliability							

Table 2.1 Ranking partner related criteria

Task related criteria	Financial Resources	R&D Resources	Marketing Resources	Production Resources	Organizational Resources	Customer Service	**Total**
Financial Resources							
R&D Resources							
Marketing Resources							
Production Resources							
Organizational Resources							
Customer Service							

Table 2.2 Ranking task related criteria

After this the criteria will receive a weighing between 0 and 10 which will be normalised. This is also done in consultation with the head of exports. The normalised weight is the result of the original weight of the specific criteria divided by the accumulated original weights and the outcome times 100.

Now, every criteria has received a normalised weight. After in-depth analysis of the different companies they can be given scores on every criteria. These scores are then multiplied with their received weighing and then accumulated for every company. The accumulated score of the partner related criteria will be the y-coordinate for that company. The accumulated score of the task related criteria will be the x-coordinate for that company.
To choose the eventually best partner I used diagram 2.1 after example of Douma (2002). The two most important criteria (partner related an task related criteria) will be placed on the x and y axes. The chosen companies will then be placed in this diagram to see which scores best. The best company can be advised.

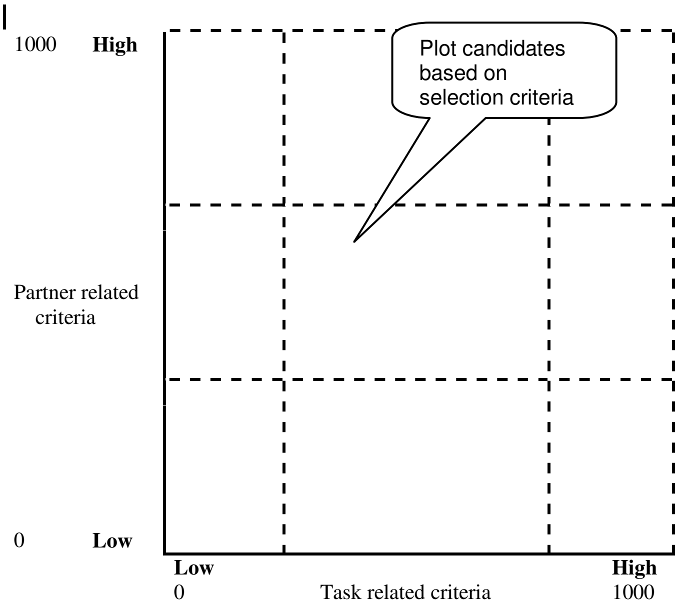


Diagram 2.1 Company scoring diagram (Douma, 2002)

2.5 Conclusion

In this chapter the tools for answering the research questions have been explored. The research is based on the elements of an international market entry strategy model of root (1994). This model has been restructured to fit our research. First we conduct an internal analysis to reveal Bolletjes goals and objectives and to determine which entry mode would fit Bolletje best. The goals and objectives were elaborated from the interviews as also the information regarding resource and commitment factors and product factors which together determined the entry mode choice.
In section 2.3 is explained how we analyse the prospects of an investment entry. This will determine if it is wise to invest in Romania or not. If the prospects are satisfactory the next step is to select a viable partner to invest in.
In section 2.4 is explained how to select a suitable investment partner. To select the right partner a partner profile is drawn. After this a candidate pool is generated through desk research. This means searching for possible partner firms by all information systems at hand (internal resources, internet, sector information companies, etc.). After this we selected criteria from the partner profile on which the companies will be screened. This will eventually lead to three to five serious candidates for in-depth analysis. The in-depth analysis will screen the remaining companies on criteria from former Bolletje research and the task and partner related criteria of Cavusgil et al. (2002). This eventually will be transferred into scores on the task and partner related criteria through the Simple Multi Attribute Rating technique (Edwards, 1971). The scores then can be placed into the diagram of Douma (2002) to see the best investment candidate come forward.

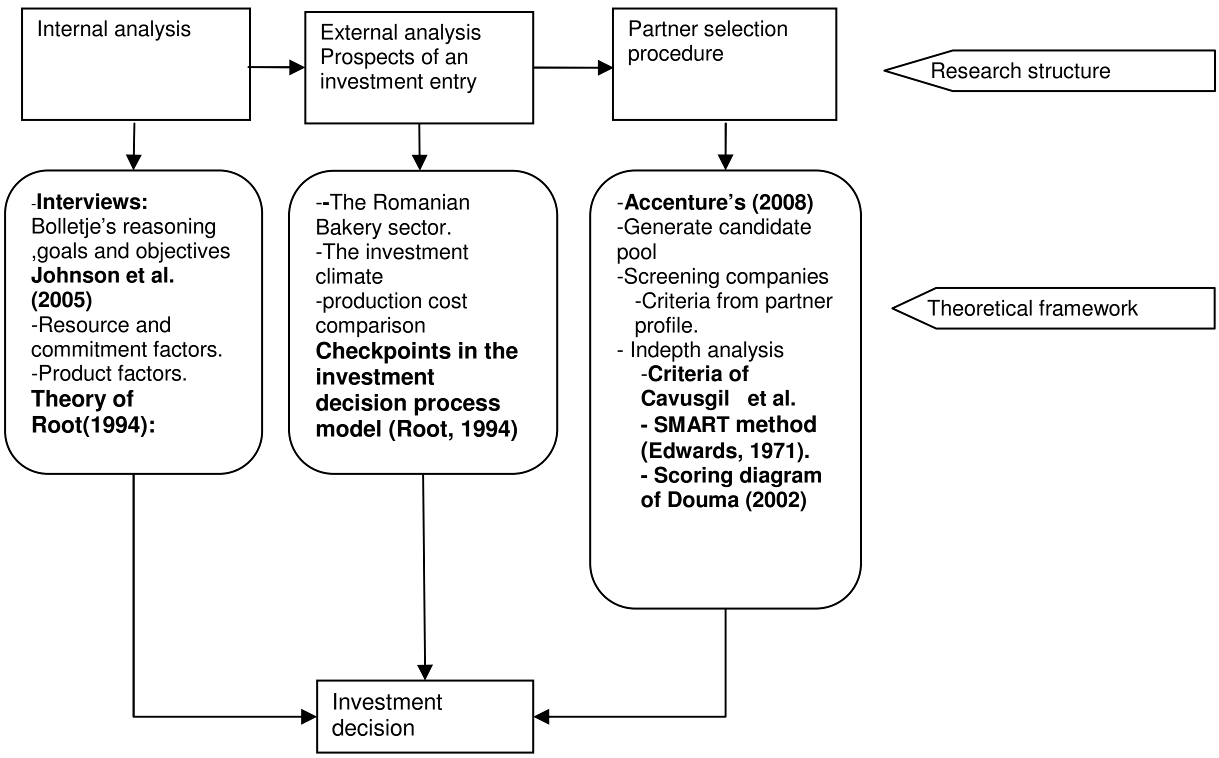


Figure 2.6 Research overview

3. Internal analysis

3.1 Introduction

The purpose of this chapter is to validate Bolletje's choice for investment entry. First the objectives and goals of Bolletje are made clear. Secondly this chapter will make clear Bolletje's readiness for investment entry. This will be done by generally analysing Bolletje's resource and commitment factors and product factors. From these two analysis the first research question can be answered. Most information used will be primary and has been elaborated from the interviews.

3.2 Goals and objectives of Bolletje in Romania

The interviews taken from the CEO Mr. van Ark and head of exports Mr. Vlietman reveal the goals and objectives Bolletje has for Romania. The interviews are attached as appendix A. The distinction between goals and objectives is not always crystal-clear because there are no real quantifiable objectives for Romania.
Bolletje recognizes that the largest growth opportunities lie outside of its core geographies. The CEO of Bolletje therefore would like to explore acquisition candidates in Central and Eastern Europe. In particular Romania.

Goals

Bolletje recognizes that the largest growth opportunities lie not in its home market the Netherlands. The CEO of Bolletje therefore would like to look at internationalization and explore acquisition candidates in Central and Eastern Europe. In particular Romania.
Bolletje's primary goal is to become less dependent on it's home market. Bolletje wants a larger share of turnover to come from other geographical areas then the Netherlands. Bolletje going to Romania perfectly fits to this thought.
Besides this basic reason, actually in service of the continuity of Bolletje B.V., there is the entrepreneurship of Bolletje to seize opportunity. Romania is one of the last emerging countries of Central and Eastern Europe that appears to explode throughout the next three to five years. Here foreign competition is not as dominantly present and growth rates are higher then in for example the Czech-Republic, Hungary or Poland where the economies have developed earlier then in Romania. These early upcoming economies can be labelled as 'missed opportunities'. Therefore Bolletje is eager to seize opportunity in Romania. Her goal is to capitalize on the upcoming opportunities.

Objectives

The objective of Bolletje is to acquire a low-cost production facility to produce products for the local market. She aims at one of the leading manufacturers in Romania. This producer needs the following characteristics.
-Needs to be a national prominent manufacturer, well known in its market.
-Needs to understand the market, the country, its culture, way of doing business, the government and the consumer.
-Needs to be either good in producing, distributing or both. Bolletje can give input for what is lacking in production, distribution, management and marketing.

To be able to generate reasonable margins and sales Bolletje aims at selling specialty bread products like rusk, pita or knäckebröd. There are only a few companies that are able to produce these products, so there is less competition. Besides this, Romanians know toast and are familiar with roasted products. Rusk and knäckebröd will therefore have easy access to them.

Cookies and Pepsels are eaten everywhere and can be sold too. But Bolletje is aware of the bigger competition in these sub sectors. The future partner company needs to fit in the mentioned market and products.

The internationalization to Romania, in the end, needs to support the general objectives of Bolletje. Bolletje has formulated several objectives and actions in her yearly strategic plan. This strategic plan is not open to external sources and also not to me, in the interview with Mr. van Ark we did discuss the objectives and actions in it.
Bolletje uses general company objectives and year objectives. These objective are to be accomplished by yearly executed actions. The most important company objectives, year objectives and strategic actions are depicted below.

Company objectives

- Profit objective: Net profit/ Net turnover = 5%.
- Turnover objective: Turnover growth of 4% ex. price increases.
- Additional growth through acquisitions.

Year objectives 2008

- Net profit 3% of net turnover.
- 4% turnover growth ex. price increases.
- Achieve less spill in operations, more efficiency.
- Harvest effects of strategic actions of 2007
    - Streamlining of departments, everybody needs to work from the same basic principles and work to achieve mutual goals.
    - The qualitative improvement of decision makers through education and training.
    - Improvement of the image of Bolletje as a trading partner.

Actions 2008

- Improving the fit of the strategic plans of different departments with company strategy.
- Improving of the production facility Almelo. Diminish the spilling in production, improve the internal flow of goods. This will be done through the implementation of 5S.

These are the general objectives and actions elaborated from the interview with Mr. Geert Jan van Ark. The objectives are somewhat general and some actions look more like intentions then real action plans. As for the actions of 2008, the 5S has indeed been implemented in production facility Almelo. 5S is a Japanese operational management system that basically is about working efficient and systematic in an organized, clean work environment. 5S is used in the lean manufacturing school. De five s's are from Japanese words for separating, arranging, cleaning, sustaining and standardising.

3.3 Internal factors

The internal factors, resource and commitment factors and product factors, also influence the choice of entry mode. The more resources a company possesses and the more the company is committed to put those resources to the project, the more entry mode options are feasible to execute (Root, 1994). In this section I will look at Bolletje's resource and commitment factors and product factors to see to what extend they will influence the entry mode options.

Resources

Capital

Access to capital is of crucial importance to a company that is planning to make a market entry. Bolletje aims at an investment entry which goes along with a significant need for capital. Bolletje is a healthy company which operates without any money from external parties. If an investment opportunity arises the board composes a proposal and presents it to Bertus ter Beek, he is the owner of Bolletje. Mr. ter Beek then loans his own money to the Bolletje company if he accepts the proposal.

According to the CEO there is more then enough money (thirty to fifty million euro's) and Mr ter Beek is willing to loan the money when a good proposal is presented. Capital for investment therefore should be no problem. The available capital within Bolletje can be established as 'good'.

International management skills

Management skills provided by the acquiring company (Bolletje) are very important. The company needs to be able to manage the whole acquisition process and the acquired company itself. Bolletje, at this moment, does not have people who are full-time available to put to this project. When Bolletje starts the acquisition process it can use temporary people like consultants or it can obtain people from the market. According to the CEO a minimum of four capable managers is needed to support the acquisition and lead the newly acquired company. It would be wise to have managers from different disciplines. One financial manager, one production manager, one marketing manager and one general manager. These managers could work as expatriates for Bolletje in Romania.

Bolletje does not have experience in the transnational management of companies. The only international experience Bolletje has is to exports level.

Bolletje on the other hand does have significant experience with takeovers within the Netherlands. Bolletje took over eight companies in the bakery sector. The 'growth through acquisition' strategy is suiting Bolletje well, it made her grow extensively in the past three decades. If Bolletje wants to acquire a company it is wise to attract external advisors who can accompany the process. This could be for example advisors of Price Waterhouse Coopers Romania. They are helping foreign companies with doing business in Romania. They can also accompany the acquisition process and sometimes open doors that remain closed to others. Nonetheless Bolletje's own international management skill level can be established as 'weak'.

Marketing skills

Bolletje possesses a very good marketing department with excellent people and skills. For the Romanian market Bolletje is looking for a company who already posses these skills. The Romanian company should have very good knowledge of their own market, have good packaging skills and be able to develop new products. Bolletje is, if necessary, able to put in her knowledge of marketing, product development, package design and so on. Marketing skills can be established as 'sufficient'.

Production skills

To what extend does Bolletje poses technology which will create a competitive advantage in Romania? Bolletje possesses a lot of technology, unique technology. Technology about producing specialty bread products, technology about how to arrange the production process in the production facility and so on. This is of course always a pre but not necessary. Bolletje is in search of a company in Romania that already possesses these skills and the equipment to a large extend. Bolletje does not want to buy an company with old-fashioned machine park and bad knowledge of production. It would be very expensive and difficult to update everything. Production skills are therefore established as ‘sufficient’.

Resource factors	Very weak	Weak	Sufficient	Good
Available capital				x
International management skills		x		
Marketing skills			x	
Production skills			x	

Table 3.1 Resource analysis

Commitment
According to Root (1994), the degree of commitment to international business is revealed by the role accorded to foreign markets (investment) in corporate strategy, the status of the international organization, the attitudes of managers, International experience and success in international business.

In our own experience Bolletje already has shown commitment by letting me perform this research and by having done its own research in 2006. Also the statement in the company objectives about additional growth through acquisitions is a sign of commitment. The status of the international organization on the other hand is poor. The international organization at this point only consists of exports. The attitude of the managers towards entry of Romania through investment is good. The CEO Mr. van Ark and the head of exports Mr. Vlietman are both positive about the entry of Romania. Bolletje is gradually operating better in the international business environment. New contracts have been signed and more and more companies from outside the Netherlands buy Bolletje products. Bolletje employs three fulltime export managers which account for 25% of turnover. Bolletje therefore is indeed aware of the potential of international business.

Commitment factors	Very weak	Weak	Sufficient	Good
Role of internationalization in strategy			x	
Status of the international organization		x		
Attitude of managers towards internationalization				x
International experience			x	
Success in international business				x

Table 3.2 Commitment analysis

Product factors
Bolletje’s products are to a certain extend differentiated from its competitors products. Bolletjes products are of high quality and are available in dozens of variations. Of rusk for example Bolletje produces more then 15 variations from basic to with resins and full grain. If the consumer is willing to pay for that Bolletje will have some price discretion. But in this case, when we look for opportunities in Romania the situation is different. Romania is not ready for highly differentiated rusk yet and consumers are not willing to pay more. So Bolletje must look to its basic products. These are not highly differentiate from its competitors products. This will give her less price discretion. Bolletje’s products are not able to carry the transportation costs and still be competitive on the Romanian market. This is, of course, also mainly due to the lower overall price level in Romania. These facts stimulate Bolletje to

choose for a form of local production. The product differentiation and product price discretion for products ready to export to Romania can be established as 'weak'.

Product factors	Very weak	Weak	Sufficient	Good
Product differentiation		x		
Available price discretion		x		

Table 3.3 Product analysis

3.4 The entry mode preference

Bolletje has a preference for an investment entry mode into Romania, but is an investment entry really the best option? Root (1994) categorizes the different entry modes in the following groups. Export entry modes, contractual entry modes and equity entry modes.

Export entry modes differ from the other primary entry modes (contractual and investment) in that a companies final or intermediate product is manufactured outside the target country and subsequently transferred to it (Root, 1994).
Contractual entry modes are long term non equity associations between an international company and an entity in a foreign target country that involve the transfer of technology or human skills from the former to the latter (Root,1994). Contractual entry modes are distinguished from export entry modes because they are primarily used for the transfer of knowledge and skills, although they might also create export opportunities. They are distinguished from the investment entry modes because the international company does not invest equity.
Investment entry modes involve ownership of the international company of a manufacturing plant or other production base in the target country. These can be sole ventures, full ownership or joint ventures, partial ownership.

Export
In discussion with several managers within Bolletje we determined export entry would not be feasible. From former trips to Romania (in 2006) the head of exports knows that the retail prices in Romania are very low. I asked the Romania consultant of the EVD for retail prices in the bakery sector. I received some lists of prices in the bakery sector. The products depicted on these list are comparable with products in Dutch supermarkets. These prices proofed to be to low to have enough margin for a distributor and transport to be paid. Besides this there is a lot of competition between producers to get into the shelves of the supermarkets. It is not uncommon for producers to pay the supermarket to get their products on the shelve. For this fee, of course needs to be room in the margin. These facts support the initial observation of Bolletjes's head of exports: in Romania the retail values of products are to low to be able to carry the extra costs that incur when conducting export. Also due to the weak product differentiation exports will make the products to expensive to compete.

Contractual
From the contractual entry modes, licensing or contract manufacturing are the only possibilities. Licensing is the transfer of knowledge and or machinery in return for a monetary compensation like a royalty. Contract manufacturing is when a company outsources the production of her product and pays the manufacturer for it. For Bolletje a combination might be possible. It could transfer machinery like a rusk production line to Romania. With which the Romanian company can produce rusk for Bolletje for the Romanian market.
In the interview with Bolletje's CEO it became very clear that Bolletje wants to produce in Romania for the Romanian market. When Bolletje wants to target the Romanian market it

needs a partner who can market new products to the Romanian market and can produce cost efficient. Bolletje does not like to export technology or products and not fully capitalize on them. Bolletje prefers controlling her own products and technology as well as marketing the products abroad.
Bolletje, in this perspective, is willing to go a step further and think about investment entry.

Investment
From all investment entry options the joint venture equity investment seems the best possible option. An equity joint venture means Bolletje buys stock of a existing company, preferably to obtain a majority stake in that company. Bolletje prefers a joint venture over a sole venture because it is not ready to run a company abroad yet. Bolletjes international management skills have proven to be weak. This is not enough to run a sole venture abroad.
Commitment of the partner is also an important factor. A venture abroad stands or falls with the commitment there is for the venture. Commitment within the company therefore is of crucial importance. Bolletje believes commitment comes with ownership, to keep the Romanians committed they need a stake in the company. A good committed partner will make it easier for Bolletje to manage the company at a distance.
Bolletje prefers an acquisition over a Greenfield investment because the company holds the opinion it will take to much efforts to build a new factory from scratch. Besides this there are large virtues in buying a going concern. The payback period usually will be much shorter then when starting a Greenfield. A going concern will directly create revenues whereas with a Greenfield it could take months to even years. Other virtues of buying a going concern can be, existing customers which will bring direct revenue and not have to be searched for, existing personnel which can be a serious problem to operating a Greenfield, flawless working production lines which can take a lot of effort when starting a Greenfield.
Obviously when taking over a company you have a potential competitor less. Also you will be ahead of competition who does start a Greenfield investment.

3.5 Conclusion

To meet Bolletje's goals and objectives a physical presence is Romania is necessary. Exports for example are no option due to the low retail prices.
Bolletjes resource factors have for the greater part been assessed 'sufficient' or 'good'. This means Bolletje should have the resources to carry out an investment entry. For the commitment factors goes the same. From the analysis can be concluded that there is 'sufficient' to 'good' commitment to carry out an investment entry. The product factors have been assessed as 'weak'. This means the products have a low product differentiation and a low available price discretion. Which forces Bolletje to produce them locally to be able to compete.
A joint venture is preferred over a sole venture because Bolletje would like to leverage on specific knowledge of a Romanian partner. Besides this, buying a going concern is preferred over a Greenfield basically because of bolletjes lack of ability to set up a new factory form scratch in Romania. So from an internal perspective the equity joint venture is the preferred entry mode for Bolletje.

4. Determining the investment climate

4.1 Introduction

Bolletje is a healthy company with enough of resources and capabilities to be able to penetrate a foreign country. The one thing that might lack, but can be sourced, is experience in managing a company abroad. To assess the suitability of Romania for investment entry we will follow the steps taken in the 'Checkpoints in the investment decision process model' used by Root (1994, pp. 127).

4.2 Analysing the Romanian bakery sector

4.2.1 Introduction

In this section I will examine the Romanian bakery sector to answer the first questions of the 'Checkpoints in the investment decision process model' of Root (1994). This analysis aims to validate that there are good arguments for going to Romania. Furthermore the general reasons for going to Romania, handed to me by the CEO and head of exports will also be mentioned.

4.2.2 Developments in the Romanian bakery sector.

It is hard to find specific information about the Romanian bakery sector. Instead useable information about the food sector in general and the retail sector is available. We can cultivate many indicators for the bakery sector from this information. The general trend seems to be a growth in sales and a growth in sales through the hypermarket channel. This can be compared with the change that took place in the Netherlands in the nineteen fifties. People started to buy from larger groceries and supermarkets more and more. This is what happens as we speak in Romania. Due to big investors like Metro and Carrefour the pace with which this is happening is of course not to compare with what happened in the Netherlands in the fifties. This development creates even bigger opportunities than it did in the Netherlands in those days.
First I will look at the European market and its developments, the Eastern European market as a whole will be mentioned here as well. After that I will look at the Romanian market in specific to come to a solid conclusion.

European market

The European market for bakery products (comprising of baked goods, biscuits and breakfast cereals) was worth €114 billion in 2006. This represented more than 42% of global bakery sales, making it the most important region in the world.
The landscape of the European bakery products is diverse, particularly when comparing Western Europe and Eastern Europe. Western Europe is generally much more developed than Eastern Europe and accounts for almost 87% of total bakery products sales in the continent. There is also higher penetration of bakery products in Western Europe, where per capita consumption of bakery products was €209 in 2006, more than four times that of Eastern Europe. However in volume terms, Eastern Europeans love bakery products, consuming 57 kg per capita compared with 83 kg in Western Europe. This phenomenon is largely due to the vast discrepancy in retail prices.
According to research firm Euromonitor International, Chicago, IL, USA, baked foods (bread, pastries and cakes) accounted for 81% of bakery products' value in Europe as a whole, followed by biscuits, which accounted for 14% and breakfast cereals with just 5%. The strength of baked foods in the region is founded on the central position of bread in many national diets, ranging from the emerging Turkish market to developed markets such as France. Each country has its own distinctive bread with demand fed by a widening range of new options in accordance with the growing internationalization of domestic cuisine.

Health drives demand. The top bakery products manufacturers in Europe are Barilla, Danone, Kellogg, United Biscuits and Cereal Partners Worldwide. However, their combined share of sales is less than 10%. The bakery products environment is highly fragmented with small artisan bakeries taking a large share of the market. Euromonitor International estimates that artisan bakeries, which typically sell unpackaged products, account for almost 58% and 45% in Western and Eastern Europe respectively.

Emerging markets of Eastern Europe

The major growth markets are in the developing regions of Eastern Europe. Common drivers shared by the region's developing markets were increased urbanization, higher disposable incomes, the growing influence of Western culture and diet, an increasing number of women in the formal workplace, longer working hours, more liberal economic policies and the spread of manufacturing and distribution networks.

Artisan bakeries in Eastern Europe continue to come under siege as consumers in the region turn to industrially produced packaged goods. These products are considered to be of better quality in terms of health benefits, taste and convenience. Consumers in Eastern Europe, especially those in the middle and upper urban segments, are increasingly health-conscious and prefer whole-grain, multigrain and brown bread products. Furthermore, consumers tend to choose bread with natural taste-enhancing additives such as honey, caraway, dried plums or sunflower and sesame seeds.

Looking at developing countries, Russia's packaged/industrial bread environment is by far the largest and also one of the most dynamic markets, with retail sales nearly hitting the €2.3 billion mark in 2006. This represents a robust increase of 24% from the previous year, according to Euromonitor. The baking industry is predominantly occupied by numerous local bakers with only one significant foreign player, Finland's Fazer Group, which is also the leading branded packaged/industrial bread maker in Russia. Fazer now owns four bakery facilities in Russia, investing nearly €54 million since 1997. The company also acquired Zvezdny EKBK OAO in 2005. These investments helped its share of packaged/industrial bread sales leap more than five percentage points between 2001 and 2005. This was in part aided by the lack of foreign players who have yet dared to invest in Russian bread factories.

Greater multinational penetration and consolidation is expected to take place in Russia's baking industry during the forecast period with local companies becoming increasingly attractive acquisition targets for more foreign players. Also, local bakers will likely merge their businesses to strengthen their position against foreign players. This has already occurred in the more developed confectionery environment, where 13 local confectionery plants united to form Obiedinenye Konditery (United Confectioners).

The Romanian retail market

After Poland, Romania is the second largest market in Central and Eastern Europe. Romania has 21.7 million consumers and one of the fastest growing economies of Europe. GDP expanded by an estimated 7.7% in 2006 compared with 4.1% in 2004. The growth allowed people more income and therefore the retail market grew significant in the last period.

Market size indicators

The Fast Moving Consumer Goods growth in 2006 compared with 2005 accounted 6.1% by volume and 17.4% by value. On the food market the growth was 11.8% by volume and 21.1% by value. For non food products the growth was 9.4 by volume and 13% by value. The data illustrated below shows that 33% of the retail belongs to the modern retail sector in 2006.

Compared to the 70% in Czech republic and 47% in Poland this is still lagging behind. But for Romania the modern retail is expected to gain market share up to 50% of all retail in 2010.

Retail format	2000	2004	2005	Jan –Sept 2006
Supermarkets	4%	12%	16%	16%
Cash & carries	6%	6%	7%	6%
Hypermarkets	-	2%	4%	7%
Discounts	-	1%	2%	4%
Small stores	55%	50%	50%	47%
Open markets	12%	12%	11%	10%
Other formats	23%	21%	16%	10%

Table 4.1 Retail market structure, Romania, 2000-2005
Source: GfK Romania

In Bucharest, the situation is different than at the national level, as the retail sector is more advanced with consumers earning higher incomes. 58% is sold through modern retail in Bucharest. With 45% of total retail sales Bucharest is the largest retail market in Romania.

Retail format	2000	2004	2005	Jan-Sept 2006
Supermarkets	13%	18%	20%	23%
Cash & carries	5%	5%	4%	5%
Hypermarkets	-	12%	23%	28%
Discounts	-	1%	2%	2%
Small stores	47%	39%	32%	27%
Open markets	6%	6%	5%	4%
Other formats	18%	15%	13%	11%

Table 4.2 Retail market structure, Bucharest, 2000-2005

Market trends
The modern retail format is currently holding 33% of total retail at national level. Most of the sold products are domestically produced. However, due to high national demand there is a shortage in domestic supply which is compensated with imports. There is a clear tendency in the modern format to increase service (multiple payment means, fresh bread and pastries, photo service, food court, etc.). Most stores are opened seven days a week for 12 to 16 hours.

Market evaluation
The rapid expansion of retail sales is based on the following factors: continuous increase in number of outlets and consumers, tendency towards modern retail stores, growing consumer purchasing power, market demand growth for fast moving consumer goods and increasing access to credit for durable goods such as refrigerators, TV sets, cars, which releases part of the budget to be spent on food items[1].

Industry Forecast Scenario
Romania's Mass Grocery Retail (MGR) sector has been very dynamic the last few years. Particular in the view of market entry and expansion. The entry of major players such as Auchan, kaufland and Rewe in 2006 have had a major impact on the competitive landscape.

[1]Website Danish embassy Bucharest, 2 may 2007

This will be even more the case when they expand outside Bucharest. The German company Metro has chosen to launch its Real retail food chain in Romania also.

Ten large retail chains in a country with a population of around 21mn people will inevitably lead to consolidation in the retail market. If economic growth stays on track the retail sector will continue to expand rapidly the coming years. Growing demand for higher quality products and broader product range pushes companies to open more modern outlets in the cities and expand their network in the surrounding regions. Consumption patterns will more and more converge to the more developed countries of the CEE region. Economic uncertainty could slow progress down, but over the long run Romania's consumption levels should converge to more developed CEE country consumption levels.
In order to maintain their position domestic players are trying to develop marketing and operating strategies. A lack of modern retail space and warehouse infrastructure will remain a long term problem.

Business Monitor International (BMI) forecasts that by 2012, MGR sector will reach $6.4bn representing a growth rate 164.9% between 2007 and 2012. The discount format represents a subliminal; growth rate of 217.3% during the same period.

	2004	2005	2006	2007e	2008f	2009f	2010f	2011f	2012f
Supermarkets	0,52	0,62	0,78	1,00	1,18	1,41	1,74	2,14	2,63
Hypermarkets	0,56	0,70	0,85	1,07	1,37	1,67	1,97	2,33	2,75
Discount stores	0,12	0,18	0,24	0,30	0,39	0,50	0,62	0,77	0,96
Convenience stores	0,03	0,03	0,04	0,05	0,05	0,06	0,06	0,06	0,07
Total MGR sector	1,23	1,54	1,90	2,41	2,98	3,65	4,40	5,31	6,40

Table 4.3 Retail indicators, total sales by format in billion USD

As we can see below the number of supermarkets and hypermarkets are growing rapidly. Convenience stores grew at a minor 13% between 2004 and 2007. In contrast, supermarkets and hypermarkets respectively grew 74% and 92% between 2004 and 2007.

	2001	2002	2003	2004	2005	2006	2007
Supermarkets	660	725	789	830	979	1.184	1.445
Hypermarkets	20	25	31	39	50	62	75
Discount stores	na	na	na	5	70	85	95
Convenience stores	300	320	345	354	367	382	400
Total mass retailers	980	1.070	1.165	1.228	1.466	1.713	2.015

Table 4.4 Structure of Romania´s Mass Grocery Retail Sector

The sales value per format has grown tremendously for all formats the past years.
Here the huge difference in the size of the different formats becomes clear. This explains why 1184 supermarkets reach less sales than 62 hypermarkets.

	2006
Supermarkets	0,69
Hypermarkets	14,23
Discount Stores	3,18
Convenience stores	0,12
Total MGRs	1,20

Table 4.5 Structure of Romania´s Mass Grocery Retail Sector, average sales value by format (USD/mn)

Below the development of modern organized MGR to the traditional independent retail becomes clear.

	2006	2017f
Organised/MGR	62%	75%
Non-organised/independent	38%	25%

Table 4.6 Development of Grocery retail sales by format (MGR vs Independent)

Romanian Food market

Industry forecast scenario

Market opportunities in the food and beverage industry are still hold back by the relatively low disposable income of the Romanian consumers. Low per-capita income and reliance on traditional markets and other informal outlets has put a strong emphasis on staple food and non-branded home made products. As income will rise over the short to medium term, more consumers will seek branded goods as a guarantee of high quality, safety and convenience. But, on the other hand poverty is still widespread and one third of the people is engaged in the agricultural sector. Meaning that markets and small outlet still hold a large volume of the total food sales. We can identify the following opportunities and threaths in the retail and the foodmarket itself.

Opportunities

- The MGR sector is forecasted to have one of the strongest growth rates in the region, with total MGR sales expected to grow 164.9% between 2007 and 2012.
- There is strong consumer demand, both from local Romanians converting over to MGR and from growing tourism and expatriate numbers.
- Large-scale infrastructure improvement is ongoing, and will receive substantial influxes of EU funds and loans over the coming year. The country has also been allocated EUR7.1bn for rural development in the 2007-2013 budget.
- Increasing integration with the markets of the EU will raise Romania's status as a cost-effective entry point through which to access other European economies.
- Food expenditure continues to grow and the share of food in terms of total expenditure will rise for several more years. Improving purchasing power contributes to higher sales in packed/industrial baked goods. Packed/industrial bread registers the fastest current value growth of 38% in 2007.
- The Romanian food and beverage industry is second largest in Central Europe after Poland and provides multinationals with a low-cost production base for exports within the EU as well as access to a large local market.

Threats

- An abrupt increase in consumer credit growth (which expanded at an average 85% y-o-y over the first nine months of 2006) could threaten macroeconomic stability if left unchecked by economic policy.
- Major investments are needed in the country's physical infrastructure, particularly in the road networks. Transportation costs will have a negative impact on companies' profit margins if it does not improve fast.
- The country has attracted warnings from Brussels about slow progress in the fight against corruption, and will remain under close scrutiny as it continues administrative reform.

- Many local food and drink producers still require additional, significant investment and modernisation in order to comply with EU regulation.
- Many of the country's regional markets arguably remain to poor to consume significant amounts of processed food and drink products[2].

4.2.3 Bolletje's argumentation

Besides all these facts that are considered, managers within Bolletje are also positive about Romania. In discussion with the CEO and head of exports several arguments came to the table.

First of all, in general, Bolletje wants to become less dependent of its home market the Netherlands. To achieve this Bolletje has its export department. Exports are now about 20% of total turnover. This is a significant achievement but Bolletje is in for more.
In the past few years Bolletje increasingly tried to profit from the emerging markets of Eastern Europe. This succeeded to the extend that there were some export deals made. Bolletje now feels it sort of missed the opportunities that were at hand in The Czech Republic, Poland and Hungary. These countries have developed in a unbelievable pace the last decade. The economic and political developments that went on in these countries the last five to ten years, are what is happening in Romania as we speak. Bolletje therefore thinks it should seriously consider to become part of this development and capitalize on it.
Romania is, after Poland, the second largest market in Central and Eastern Europe. Romania is an EU member and is planning to implement the Euro in 2014. The economy is growing with seven to eight percent year on year and the government supports foreigners to invest in Romania. Bolletje thinks now is the time to invest. Other competitors, already active in the more developed eastern European Countries mentioned before, are also looking to Romania and Bolletje is aware of that.

4.3 The investment climate

4.3.1 Introduction

In this section the questions two and three of the 'Checkpoints in the investment decision process model' (Root, 1994) will be answered. These questions are taken together, as described in section 2.3. When I research the investment climate the future prospects will be analysed too. To structure this research I will use the checklist for evaluating the investment climate of Root (1994), see appendix B.

4.3.2 The Romanian investment climate

Root (1994) mentions certain checkpoints for evaluating the investment climate. I will use this checklist to structure my findings.

1. General political stability

The political environment remains turbulent in the run-up to the elections. This year both local and parliament elections are expected to take place. Although time is running out, the parties are still discussing possible dates for the elections to take place. Prime Minister Calin Popescu Tariceanu opted to hold both elections on one day. Although the idea was supported broadly no action has been taken yet. It is expected the elections will take place somewhere in May or June, with the general elections being held in early autumn. The democratic party of

[2] Euromonitor International: Country sector briefing, November 2007

president Basescu still remains the most popular. This was also reflected in the European Parliament (EP) elections in November 2007, where it obtained 28.8% of the votes. The democratic party has recently improved her position by merging with the Liberal Democratic Party (LDP) to form the new Democratic Liberal Party (D-LP).
In the meantime new corruption cases have further weakened the credibility of the current government coalition. Recent cases have led to the resignation of the minister of justice Tudor Chiuariu and agricultural minister Remes. The National Anti-Corruption Directorate has also launched investigations against current and former government officials. These include, Paul Pacuraru, the current minister of labour, Adrian Nastase the former prime minister and Ioan Codrut Seres, former minister of economic affairs.
So overall politics can be regarded as somewhat chaotic. This does not have to mean the political environment is not suited to invest in. Romania is a EU-member since the first of January 2007 and has made a lot of effort to attract investors[3].

2. Government politics toward foreign investments

Investment law
In Romania foreign investors are treated the same as domestic investors. The government is promoting foreign investment in Romania. The Romanian agency for Foreign investment (ARIS) is responsible for this task.
Foreign investments are legal in every economic sector. There is no maximum to the share of foreign investors in a certain firm. Therefore an investment can be financed up to the full 100% with foreign funds. The profits, after tax payments can be repatriated. Also after the investment is due, the capital can be taken home.

Real estate
After Romania's EU accession it has become easier to buy land. EU-citizens living in Romania can buy land since 1 January 2007. EU-citizens not living in Romania can buy land in 2012. Agricultural land can be bought by EU-citizens by 2014. EU-citizens living in Romania can already buy agriculture land but can not change the purpose of the land. Foreigners living outside of Romania who already want to own land can set up a Romanian business. A Romanian business, even when fully foreign owned, is permitted to buy land. Possession of buildings in Romania is not prohibited for foreigners. For the leasing of land concessions are granted.

Investment incentives
In the run up to the EU-membership the most investment incentives have been cancelled. Within the remaining incentives no distinction between foreign or domestic investments is made. On local level authorities are trying to attract investors with tax reductions or concession. Although the local authorities are bound to the local taxation ordinance it is possible to negotiate to a certain extend.

On national level the following incentives are available:

- Accelerated depreciation for technical devices, computers included.
- Micro enterprises can choose to pay corporate taxes over profit of 16% or pay 2% of their turnover in 2007. (2.5% over 2008 and 3% over 2009). To qualify the company must be a Romanian legal entity, have between one and nine employees and a turnover not exceeding 100.000 euro. In addition turnover

[3] http://www.bankaustria.at/informationspdfs/CEE-Qu-1-08_Romania.pd

from consulting and management activities should not exceed 50% of total turnover.

- The local administration may exempt or reduce taxes on investments exceeding 500.000 euro. However it is not clear how this can be matched with legislation about large investments.
- Employers can hire subsidized workers for the following categories: unemployed for over six months, recent graduates with no work experience, unemployed persons over 45, disabled persons or persons close to retirement.
- Companies organizing training for more then 20% of their employees may be partially compensate for the expenses they make.
- For small and medium size enterprises there are certain incentives:
    1. simplified procedures to allow companies easier access to public utility networks and services.
    2. easier access to assets belonging to state owned companies, national companies and “regies autonomous” (autonomous state owned authorities with special status)
    3. Easier access to public procurement, up to a 50% cut in criteria to join.

3. Other Government policies and legal factors

VAT

The Value Added Tax (VAT) in Romania is 19%. The lowered tariff for example medicines is 9%, for export transactions the percentage is 0%. Registration is compulsory for companies selling above 35000 euro a year. For companies with sales under 35000 euro VAT registration is optional. Companies selling intra-EU for more then 10000 Euros need to register for VAT too. Foreign companies can repatriate the VAT paid in Romania.

Profit tax

The general tariff of profit taxes is 16%. Companies reinvesting profits can rely on a 50% reduction in payable taxes. Small and Medium sized Enterprises (SME) can even count on a 100% reduction for reinvested profits.

Income taxes

Income taxes for persons has a flat rate of 16%. Foreigners staying in Romania longer then 183 days a year are under Romanian tax law.

Besides this an treaty between Romania and the Netherlands has been closed. This treaty prohibits Dutch or Romanian companies from paying double taxes.

Dividend

Dividends received by a Romanian company are tax-free when they live up to the following criteria:

- The entity is registered for profit taxation.
- The dividend paying company is settled in the EU.
- The receiving company possesses a minimum of 15% of the companies shares.
- The minimum participation has to exist for two years.

When not lived up to this criteria 16% taxes is paid.

Interest en Royalties
Interest and royalties received by a Romanian company are under a special lowered tariff of taxation of 10% (0% from the first of January 2011) when fulfilling the following criteria:

- The company paying the interest and royalties resides in the EU.
- The entity poses a minimum of 25% of the shares.
- The participation must have a minimal history of two years.

When not complied with these criteria, 16% taxation has to be paid.

Import duties and restrictions
Romania has been an EU member since the first of January 2007. Deliveries to other EU members are intra-community deliveries and fall under the free movement of goods within the EU members. Border controls and the clearance of goods are history.

4. Macro economic environment

Despite the continuing presence of the government in the industrial sector, Romania has had a free market economy since 1990. Steps are taken by successive governments to liberalize and privatize the economy.
Romania sits on many historic crossroads that allow access to 200 million consumers within a 1000-km radius of Bucharest. Main channels of these routes are the Danube river and the port of Constana. The port of Constana is one of the main ports on the Black Sea, which is linked to the North Sea.
Romania has a large amount of skilled labour in areas such as engineering and manufacturing. Also the wages are lower in Romania then in the rest of Eastern European countries. Many large cities develop under the boost of a large industrial infrastructure. Along with Romania's fast natural resources this offers good opportunities for exploitation.
Romania has been struggling to turn its demand economy into a market economy. Following governments have had a hard time in turning the economy around. This is mainly due to the weak Lue and the inability to secure external funds due to the countries high budget deficits. This accrues from financing loss-making state industries. Furthermore old financial systems and the bureaucratic structure have been slow to change. Nonetheless the last five years the overall business climate has improved and economic indicators became healthier[4].

In 2007 the Romanian economy grew with 6 percent, in 2006 it grew 7.7 percent. For the next few years a growth between 5 and 6 percent is forecasted. The main engine behind these positive economic developments is the strong growth of the private consumption. Rising wages, improved credit possibilities and a growing employment forces up consumption. Also Romanian businesses and the Rumanian government are investing considerably, as a result of which the internal demand increases further.
For the period 2007 up to and including 2013 a large number of projects, among others concerning the environment and infrastructure improvements, will be carried out. Romania get strong support from Brussels in the form of structure- and cohesion funds. For this reason the economic expectancies remain favourable.
Also the foreign investments stimulate the economic growth. Thanks to the input of foreign investors Romanian companies can introduce improvements in management and production areas, as a result their competitive position is improving. In 2007, foreign investments went up to 10.8 billion US dollar.

[4] Romania business passport, Ernst & Young, 2007

But the overheated economy makes the country also vulnerable. The purchasing power of the Romanians has strongly improved, but because of this their trade deficit is increasing.

	GNP by capita	***Increase in percent***
2006	$ 5630	7.7
2007	$ 7580	5.8
2008 (expect)	$ 8320	5.5
2009 (expect)	$ 9230	5.0
2010 (expect)	$ 9990	4.6

Source: EIU

Table 4.7 Gross national product by capita

Agriculture	7.4
Industry	35.6
And services act	57.0

Source: EIU

Table 4.8 Proportion of GNP by sector 2007, (in percent)

Size and growth rate of population
Romania has 22.27 mln. inhabitants with a negative growth of 0.13 percent in 2007.

Size and growth rate of per-capita income
The purchasing power of the people of Romania will increase significant in the coming years. The economical growth will cause wages to rise in the private sector. In 2006 private expenditure per capita accounted 4080 US dollar. Gross Domestic Product (GDP) reached 163.9 bn. dollars in 2007. GDP per capita went up to 7580 US dollar in 2007 in comparison to 5630 US dollar in 2006. This reflected a growth in GDP per capita of 5.8% against an consumer price growth of 4.8%. Nonetheless a quarter of the Romanians still live in poverty. In some regions, like in the North-East of the country, the percentage of people living in poverty reaches 35%.

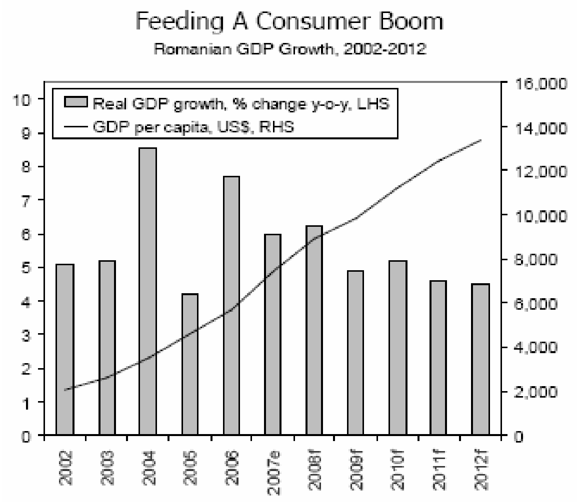


Figure 4.4 Romanian GDP Growth, 2002-2012
Source: Emerging Europe food and drink, Business Monitor International, May 2008, issue 25

Unemployment
The number of Romanians without a job will remain about 500.000 in the coming years, this means about 2.5% of the total population. Whereas the unemployment is rising in the agricultural and industrial sector, employment is rising in the service sector. Particular in the wholesale and retail a significant growth is recognized. The financial service sector is also in need of more and more qualified people. The unemployment is highly geographically fragmentized. In the regions where the former bigger state-owned companies have been restructured and downsized the rate of unemployment is the highest (Brasov, Vaslui). On the other hand at the Romanian-Hungarian border jobs are created.

Faster then expected Romania dealt with it's inflation problem. 2007 recorded and inflation of 4.3 percent, for 2008 an inflation rate of 4.8 percent is expected. The Romanian Lue is fully convertible against hard currency on any given moment. On the first of July 2005 an exchange rate correction took place, four zero's were erased. In February 2008 the exchange rate was 3.714 new Lue against one euro[5].

EU-membership
Romania joint the EU on the first of January 2007. Romania, also after the accession, continued to reform on a dozen of areas, mainly on; corruption, organized crime, food safety and the law-system. The pace with which the reforms are made are not optimal yet according to the European Commission. For implementing certain rules Romania negotiated a transfer period. Due to the EU accession Romania is granted 19 bn. Euros until 2013 for development projects in the areas of environmental care, agriculture and infrastructure.

5. International payments

Balance of payments
Romanian export rose to 39.4 bn. US dollar in 2007. This means an increase of 22 percent in comparison to 2006. Imports rose with 35.8 percent to 64.1 bn. dollar. In comparison with 2006 this resulted in a trade deficit of 24.7 bn. US dollar. Rising exports indicate an improving competitive position of Romanian goods on the world market. The lion share of the Romanian exported products have a low added value. Imports are characterized by higher added value due to an increasing demand for modern capital and consumer products. The strong Romanian Leu in comparison to the Euro makes European goods cheaper and boosts exports.

Exchange rate behaviour
The new Leu (RON) is a very strong currency against the euro. One new Leu is worth 0,275 euro. One Leu consists of 100 Bani. On july 2005 the Romanian government revaluated the Romanian Leu, the new Leu is worth 10000 old lei. The Leu appears in notes of 1,5,10,50,100,500 Leu. The notes have the same size as the Euro notes, this because of the future adaptation of the euro in Romania. The adaptation of the Euro is thought not to take place before 2014, this because Romania is not fulfilling all her obligations yet[6].

4.4 The forecasted return on investment

4.4.1 Introduction.

At this stage the investment project has passed the first three checkpoints in figure 4.1. In consultation with the management at Bolletje, we have decided investment would be the most appropriate entry mode. Investment is the best option for a long term, sustainable entry into Romania. Also the investment climate shows acceptable indications for a safe and profitable entry into the Romanian market. At this point I can move to checkpoint four in figure 4.1: Does our economic analysis indicate that the investment project will meet Return On Investment (ROI) and other objectives after taking account of risks?

[5] www.evd.nl
[6] www.evd.nl

4.4.2 The return on investment

In this section the forecasted real return on investment should be investigated. The real return on investment is hard to forecast due to a lack of information and know how available. At this stage usually consultant firms, accountants or banks come in to do more tangible research and work with actual figures. Often this requires them to make visits or use the help of local colleagues. At this point I am not able to forecast the size of the investment let alone the return on it.

In Bolletje's view it is also not my job to really calculate prospected costs and revenues. At this point Bolletje only wants to know whether or not to invest. It is my job to further advise them about interesting companies.

Here we will give indications for the operational costs that are common in the Romanian environment. After his the analysis will be used to calculate the cost difference of producing a basic cookie in the Netherlands or Romania. This will provide Bolletje with a indication of the production opportunities available in Romania. To cover all important factors and to structure my research I will use the checklist for profitability of investments by Root (1994), appendix C. Some important indicators in the list of Root (1994) are already researched in previous sections these will be mentioned but not further investigated.

Market factors

The market factors Root (1994) mentions in the checklist for profitability of investments can be found in the supplements. Most factors have been assessed in section 4.2. the others are to specific to answer. The overall picture is that the prospects look good.

Production/supply factors

Here Root (1994) mentions some general production supply factors like availability/cost of plant site, availability/cost of local raw materials, energy and so on. These factors can differ among different companies in different industries. Also their importance will vary across different industries. Here I will mention the factors that I was able to obtain data on and are of importance to Bolletje.

Utility costs in Romania are somewhat lower then in the Netherlands. Prices in Romania vary amongst the different regions. In the supplements there are tables with full information about the costs of gas, water and electricity. For example the statistics of the Brasov area in the Centre of Romania.

Utilities costs for Brasov area, valid in January 2008	
Utility	*Cost*
Gas	867.95 RON /1,000 m3= 230.26 Euro / 1,000 m3
Power	0.3880 RON / kWh = 0.12 Euro / kWh
Water	1.75 RON / m3 = 0.46 Euro / m3
Sewarage	0.70 RON / m3 = 0.19 Euro / m3

Table 4.9 Romanian utility costs[7]

If we look at the Netherlands we can see significant differences. Gas price in the Netherlands is around 40 euro cents/m3, in Romania this is 23 cents. Bolletje, as an industrial producer

[7] ICCO - Industrial Park Administrator, www.arisinvest.ro

using ovens, could safe significant on gas expenditure. Power costs in the Netherlands are around 20 cents/kWh[8] and in Romania 12 eurocents/kWh. And also water is a lot cheaper than in the Netherlands, 152 Cents/m3[9] against 46 cents/m3. The exact composition of the Romanian prices are not completely transparent so it could be the prices are excluding taxes or other duties.

<u>Labor factors</u>
Romania has a well educated labour force. Unemployment was unknown to the Romanian people before 1989, largely due to overstaffing. After 1989 unemployment increased rapidly, but since 1999 it has declined from 11.3 to 5.9 percent in December 2005. Skilled labour is mainly available in the service and industrial sector. Certain skills like western style accounting and double entry bookkeeping are mainly focused in the big cities. Yet, the situation is gradually improving. Cost of expatriate staff might be necessary depending on the Romanian managers available. For the first two years Bolletje thinks it needs four expatriates, one general manager, one financial manager, one marketing manager and one production manager. The cost will be significant, these managers not only need wage, they also need transportation, a place to stay for them and their families and so on. These expatriates are not available from internal resources but they should be available in the market.

Salaries
Salary costs are relatively low in Romania compared with the Netherlands. The gross average wage is around EUR 374 (January 2007). Romanian law guarantees entitlement to the minimum gross salary, currently of RON 390 (EUR 115). The government raises minimum gross salary from time to time in line with consumer price increases.
Some salaries are increasing faster due to scarcity on the market. The average gross salary shown in official statistics are therefore likely to be misleading when it comes to skilled employees for new business ventures. Average gross salary costs are therefore likely to exceed 500 euro a month.

Working hours
In a standard working week from Monday to Friday, employees work from 8:30 to 5:00 pm with a thirty minute lunch break. Usually blue collar workers start earlier then white collar workers. The maximum working time including overtime can not exceed 48 hours.
Overtime can be remunerated by time off or extra pay. Under the new Labour Code overtime can be negotiated in collective agreement or the individual employment contract. According to the National collective agreement overtime is paid at 100% of the gross salary. The collective agreement prevails over the Labour Code.

Paid holidays
Under the new Labour Code, employees are entitled to a minimum of 20 days annual paid vacation. The minimum holiday is 21 days. Annual paid holidays, as well as additional paid leaves, must be specified in the individual or collective agreement. Most companies grant 21 too 24 holidays and 7 days of statutory holiday[10].

Contributions
Both, employer and employee have to contribute to the social security system. The amount that has to be paid is based on gross salary.

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[8] http://www.essent.nl/content/thuis/klantenservice/tariefswijziging/tarievenoverzicht_elektriciteit.jsp
[9] http://www.verswater.nl/Water+is+goedkoop/De_prijs_van_kraanwater.htm
[10] http://www.romaeconomia.it/newsite/romania/Taxation.pdf

Employees’ contribution as a percentage of gross salary.

- Social security contribution 9.5%.
- Unemployment fund 1%
- Health fund 6.5%

Employers’ contributions.

- Social security fund – 19.5%; 24.5%; 29.5% depending on working conditions.
- Health fund 6%
- Contribution for medical leaves 0.85%
- Guarantee fund 0.25%
- Unemployment fund 2%
- Work accidents insurance fund 0.4%-3.6%
- Labour office commission 0.25% - 0.75%

Tax factors

Corporate taxation

- Standard corporate income tax is 16%
- Micro companies (turnover<100000 euro and no more then nine employees) can not ops for income tax exemption and pay instead a tax of 2.5% on revenue in 2008 (3% in 2009).
- The implementation of the advanced payments system is postponed until 2010.
- The dividends tax rate is 10% on dividends paid to Romanian companies. The standard dividend tax rate of 16% is applicable to dividends paid to non Romanian companies. This can be reduced to a maximum of 10% if agreements between countries have been made. Dividends tax can be reduced to nil if the receiving company resides in the European Union and hold, for at least two years, at least 15% of the shares of the dividend paying company.
- Standard withholding tax on interest an dividend paid to non-residents is 16%. This percentage is some times lowered when treaties between countries exist. Until 2010 a 10% rate applies to companies residing within the EU and holding at least a 25% stake, for at least 2 years in the dividend or interest paying company.
- The fiscal year, in general, is the calendar year.

Value Added Tax (VAT)

- The standard rate of VAT is 19%, the reduced rate is 9%.
- There is new treatment for EU business transactions.
- No VAT is applicable for the transfer of going concerns.
- VAT applies to factoring and debt collection activities.
- The invoicing deadline has moved forward to the fifteenth day of the month in which the supply was performed.
- VAT refund for EU and non-EU business.

Customs and international trade

- As an EU member, Romania applies the EU Common Customs Tariff & EU customs regulations.
- Romania applies all EU free trade agreements concluded with third countries.
- Import licences are necessary for certain commodities like oil, certain chemicals and weapons.

- No customs formalities are applied to goods with the EU community status.

Allowable depreciation

- The Fiscal Code makes an explicit distinction between accounting and fiscal depreciation. For fixed assets, fiscal depreciation is to be calculated based on the rules set out by the Fiscal Code and deductibility no longer depends on the level of depreciation recorded in the accounts.
- Fiscal depreciation should be calculated based on the asset's fiscal value and useful life for tax purposes, by applying one of the permitted depreciation methods:
- Straight-line method,
- Accelerated depreciation and
- Reducing balance method.
- Technical equipment, computers and peripherals can be depreciated by using any of the depreciation methods available, i.e. straight-line method, accelerated method or reducing balance method. For any other fixed assets (except for buildings for which only the straight line method can be applied), only the straight line or digressive method can be used.
- If the fair value determined upon the revaluation of the fixed assets drops below the entry value (i.e. cost of acquisition, cost of production, market value of the fixed assets acquired for free or contributed to the share capital), the non-depreciated fiscal value of fixed assets is computed based on the entry value.
- The same applies for revaluation of land should it result in a decrease in value to below the entry value. Thus, the new value recognised for fiscal purposes would be the entry value.

<u>Influence of Romanian production factor costs</u>

If we look at the cost price of a sample cookie of Bolletje we are able to calculate savings on production costs. The Bolletje cost price is roughly calculated as following.

Cookie A		Costs		percentage of total costs	Saving on individual costs category (%)	Result	Total result
Raw materials		106,84		19,12	0	19,12	
Packaging		168,42		30,14	0	30,14	
Energy		16,59		2,97	-41,25%	1,74	
Wages		212,03		37,94	-81,10%	7,17	
Semi variable		54,98		9,84	0	9,84	
Total costs		558,86		100		68,01	-32%

Table 4.11 cost composition fictitious cookie A

The full cost price calculation is attached in the supplements as appendix D, the figures are fictitious.

If we look at the composition of the cost price the real savings could come from raw material, packaging and wages. According to Mr. Vlietman the prices of raw materials and packing are world market prices and should be more or less the same. Therefore we will assume no influence of raw materials and packaging costs on the cost price saving. For the semi variable costs we also assume no difference. This because of the lack of information about the Romanian costs.

The wages on the other hand are seriously lower compared to our standards. The average gross wage a month in the Netherlands is around 2353 Euro[11] in Romania this is about 374 euro. Bolletje, in this perspective, can save 84,1% (100-374/23,53) on wages.
Energy, comprising of electricity and gas, accounts for 2,97 percent of the cost price. So even dough it is cheaper in Romania it will not have a big influence on the cost price. Besides this, information about how the two hold up to each other is not available. Therefore we assume they both account for 50% of energy costs. The price of gas lies around 40 Eurocents/m3 in the Netherlands, in Romania this is about 23 cents. This reflects a cost saving on gas of 42,5% (100-23/0,4). Power costs 20 Eurocents/kWh in the Netherlands, in Romania this is 12 Eurocents/kWh. This reflects a cost saving of 40% (100-12/0,2). On average Bolletje will be able to save(42,5+40)/2= 41,25% on energy. In table 4.13 we have processed the cost saving into the cost price. This led to an overall cost saving of 32% in the cost price, almost solely due to the lower wages in Romania. This is the cost saving that could be calculated. With more information more savings will probably come forward.

4.5 Conclusion

The bakery sector is a healthy sector, especially the more modern packed convenience products have good growth prospects.
Overall we see a positive attitude of the Romanian environment towards investment proposals. The government supports foreign investment by setting up stimulating incentives.
Besides this Romania is in desperate need of high-end western skills on many aspects of business. Particular on, production techniques, financing, general management and marketing. Romania also lacks tangible assets like capital to invest and production facilities to be able to reply to the growing demand. Therefore Romania welcomes foreign investment in her country.
In this environment normally the prospects for return on investment are good. The cost price calculation shows an cost saving of at least 32% in reality this will probably even be higher. The low wages in Romania will enable Bolletje to produce significantly cheaper. This again is a prediction. The calculation, for example, does not account for existing productivity differences. In chapter five we will further assess the results.

[11] http://nl.wikipedia.org/wiki/Modaal_inkomen

5. Assessment of the investment plan

5.1 Introduction

Here we will assess the outcomes of the investment climate analysis. We will determine the implications for Bolletje's investment intention.

5.2 Romanian bakery sector

Romania is the second largest market of CEE and the fifth fastest growing market within the whole of Europe. Compare this with the facts that disposable income is growing, demand for higher quality products is growing, the influence of western diet and culture is growing and the fact that modern manufacturing and distribution channels are on the rise and one might think Romania is heaven on earth. I have found many positive indications for the development of the Romanian bakery sector. But, Bolletje should continue to be aware of some other less promising facts. The fact that for instance the artisanal bakeries still hold a large position in the rural areas. Local bakeries provide the local people through their own store or marketplace. Besides this the rural areas still deal with widespread poverty, bad infrastructure and lacking distribution channels and retail space.

Poverty is far greater in the rural areas than in the urban parts. The north-eastern regions, near the Moldavian border have suffered the most. This is mainly due to the collapse of the badly located industrial plants during the nineteen seventies. The Southern regions near the Bulgarian border are also poor. The wealthier regions are around Bucharest and the western regions around Timisoara[12].

Considering this, Bolletje should have the best chances in the more developed regions of Romania. Here the positive elements of the Romanian environment and bakery sector weigh heavier then the negative factors. In time these regional differences will level towards each other. By that time Bolletje should have a well established position in the market to be able to penetrate the rural areas as well.

The bakery sector as a whole is very dynamic with good prospects. Considering all the facts gathered we can conclude that the Romanian bakery sector is an interesting market where investment would be an appropriate tool to penetrate the market. An investment might be an equity joint venture or a acquisition, which creates a wholly owned subsidiary, preferably in the wealthier areas around Bucharest or Timisoara. This because of the better infrastructure, distribution channels and sales potential. Investment will maximise the profit of the developments in the market. As Bolletje puts her resources to the development of the target company, Bolletje can gain not only from prospected operational profits but also from value creation in the long run.

Furthermore it might be wise for Bolletje to start producing packed bread, this because bread is consumed massively in Romania and Romanians are switching from artesian bread to packed industrial bread (like with rusk in the Netherlands). Furthermore Bolletje could try to produce and sell rusk and knackebröd locally. The Romanians are familiar with knackebröd due to the exports of for example Wasa. Rusk needs extra promotion in Romania.

We have further recognised that the bigger companies like Danone, Nestle and Cadburry are already investing in key positions on the market. Nestle bought the factory of the Joe brand in

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[12] http://www.nationsencyclopedia.com/economies/Europe/Romania-POVERTY-AND-WEALTH.html

2002, and has invested tens of millions of euro's in production and marketing since. Joe is now the leading brand for chocolate wafers. Furthermore Cadburry has bought a 93% stake in a sweets production site.
These companies might not all be in the exact same market as Bolletje, but they are in the food sector and they are facing the same Romanian environment. This indicates that they too have confidence in the development of the Romanian market and the possibilities of doing business there.

So we can answer the first question of Figure 2.4 the 'Modified checkpoints in the investment decision process model' with 'yes' the Romanian bakery sector is attractive for investment entry.

5.3 Investment climate

The Political situation in Romania is somewhat chaotic, also corruption is still not completely banned from the system. On the other hand this should not be a reason to decline an investment proposal. Investors do not have to be scared their property will be seized or anything like that and Romania does have many positive features.

The positive attitude of Romanian politics towards foreign investment proposals is one of the most important positive characteristics of the Romanian environment. The government wanting to attract foreign investors is affecting the whole environment in a positive sense. The main advantages lie in the investment incentives, investment law, real estate law etc. Besides this we see a large virtue in the profit taxes of 16% which is relatively low and attractive to Bolletje. Profits can be freely remunerated after the payment of 16% taxes. Besides this, a treaty has been signed between Romania and the Netherlands which prohibits double taxes being paid. This could happen when double entry occurred. Since the Romanian membership of the EU border controls, clearance of goods and import duties are also history.

If we look at all the macro economic facts mentioned in paragraph 4.3.2. the overall picture is positive and the prospects look even better.

Here I can state that we can answer questions two and three from the 'Modified checkpoints in the investment decision process model' with yes. The investment climate, at present is good, over the planning period (three to five years) it appears good too.

5.4 Return on investment

As stated before the return on investment has become a cost price comparison of a sample product. Nonetheless we have analysed the criteria from the checklist for profitability of investment (Root, 1994). The market factors proofed already healthy in section 4.2, labour factors and tax factors will also positively influence the return on investment. Labour is much cheaper in Romania then in the Netherlands and also less taxes has to be paid. Not all production factors and capital sourcing factors have been analysed due to a lack of information. However we were able to take some production factors into account when conducting the cost price comparison. We calculated a reduction in cost price of at least 32% which is significant. On the other hand we are not sure about the decrease in selling price when selling in Romania. The selling price decrease will probably be significant as well. This is something for Bolletje to further research.

Nonetheless the factors Root (1994) mentions are very positive and due to our own research we can answer question four with ‘yes’, there are significant savings in manufacturing.

5.4 Conclusion

We would advise Bolletje to invest in Romania. The bakery sector and the investment climate show an overall positive picture about future development. It is important for Bolletje to leverage on this development and be among the first movers. We were also able to identify a production cost reduction of at least 32%. This brings opportunities for Bolletje, not only to sell in Romania, but also to export from Romania to western European countries. Besides this we have seen many big retailers invest in Romania with confidence. Retailers are Bolletje’s largest customers and are therefore a good indication for market development.
So at this moment we have positively assessed the investment plan and can move on to the partner selection procedure.

6. Selecting the right partner

6.1 introduction

We have selected 33 potential partners for either acquisition or equity joint venture. To select and asses the potential partners of Bolletje in Romania we will u se guidelines of Root (1994, pp149), task and partner related criteria of Cavusgil et al. (2002) and working methods I obtained during an Accenture strategy workshop. The guidelines and working methods are very much alike. Root (1994), fundamentally uses three steps to structure the process. The steps are as follows:

1. Draw a joint venture profile.
2. Identify and screen the candidates.
3. Negotiate the joint venture agreement.

The scope of this research, reaches until step two. Step three, the negotiation of the joint venture agreement, is left to Bolletje in a later stage.

6.2 Equity joint venture partner profile

In consultation with the head of exports and the CEO I could identify important criteria which the potential partner should poses.
Bolletje would like to invest in a partner with good growth prospects in a healthy market. This partner should own a leading, nationally know brand. Bolletje aims for a partner with complementary skills. This means the partner should have good knowledge of its market and environment and how to deal with it. Furthermore the target company should have premium contacts with distributors around Romania. Bolletje, on it's turn can provide cutting edge western management skills, production knowledge and marketing techniques. The production facility of the company should be modern and relatively new, we want to prevent unforeseen replacement investment in the first three to five years.

To come from the large pool to the candidate pool I will use only three criteria of the partner profile. The criteria have to be assessable from the Netherlands since I am not able to go to Romania. Consequently I will not be able to research, for example, the target companies knowledge of the Romanian market. Therefore criteria that can be assessed from a distance will be chosen over other criteria. Furthermore assessing the companies on three criteria will be enough to come to a shortlist of three to five companies. If a potential company is not suitable, for whatever reason it will be removed from the candidate list immediately to save valuable time and effort. The selection criteria are product/market fit, size and brand.

6.3 Generating a candidate pool

To find companies that are in the bakery sector in Romania I made use of the internet. Besides this I was able to contact the Dutch chamber of commerce, the EVD and the Romanian chamber of commerce. These institutions provided me with contact details and a website where I could find companies assorted by sector. This led to a pool of 33 candidates, see appendix E.
These are the 33 companies that are selected as potential partners for Bolletje. After the first screen, many of them will proof to have little fit with Bolletje's products and market. The choices made in the screening rounds are mainly based on information found online (companies' website, branch information website). Many of the companies possess a website which tells a lot about their product groups and brand(s). I will not put down a full description

of every company. Only the ones that are left for further investigation will be analysed in more detail.

6.4 The selection process

In-depth analysis of every company is not necessary to decide if it is interesting or not. Many times, if we take a glance at a company, we can determine if it is appealing for further investigation or not. This is what I will conduct when screening the companies. Later the companies left in the shortlist will be analysed more in-depth.

The in-depth analysis will be based on criteria from a former Bolletje research called "Voorlopige marktverkenning Oost-Europa" (Vlietman, van der Zwam, 2006) and the partner and task related criteria of Cavusgil et al. (2002). In the research of Vlietman and van der Zwam the possibilities across Central and Eastern Europe are researched. Different companies are analysed. Bolletje, in 2006, had the same intentions as it does today, only now Bolletje focuses solely on Romania. The research gives a clear view on what criteria Bolletje finds important. These criteria and the criteria Cavusgil et al. (2002) mention will be used to perform the in-depth analysis of the candidates on the shortlist.

The initial three screening rounds have been reduced to two rounds because often information is found together. Finding information, for example, about the size of a company during research for a companies brand obliged me to process the information found directly. It is more efficient. So, in two rounds the candidate long list will be reduced to the shortlist. The first screening round will be on Product/market fit, the second round will be on size and brand.

These criteria have been chosen because when a company does not comply to these criteria it should not be on the short list. Besides this they are assessable from a distance.

Criteria	Measurement
Product/market fit	• Are the products in line with Bolletje's products? o Breakfast/lunch, cookies, snacks etc.. • Does the company operate in the same market as Bolletje? o Breakfast/lunch, cookies, snacks etc. to super/hypermarkets?
Size and brand	• Is the size of the company suitable for Bolletje? o Turnover between 5-50 mln. Euro. • Does the company own a strong brand? o Nationally known, TV/radio commercials

Table 6.1 Qualifying criteria

6.4.1 Product/market fit screening

To find out if the 33 companies fit the product and market of Bolletje their websites, brochures and articles on the internet have been reviewed. Some proofed to be hard to track and others had everything on their websites. The screening process used here is pragmatic. Look at the company and find out which products they deliver in what market. If one of the two has no, or not enough fit, the company is rejected.

In the appendices the tables and the explaining of the outcome can be found in appendix F.

The table explains why some companies are rejected after the first screen and why others are still in the race. The most rejected companies proofed to bake mostly artisanal bread and cookies which means they are not in the same market as Bolletje. They probably deliver it to local bakeries or sell it themselves directly to the consumer through there own bakeries. Bolletje would prefer a industrial packed bread manufacturer instead. Others simply did not have enough product fit. Companies with to much emphasis on sweets or raw material like flour were rejected also. At this stage I also rejected two companies because I became aware of the fact that they had been taken over recently.

The companies who appeared to have a good product and market fit with Bolletje are still in the pool. These are: Croco, Vel pitar, Rostar, Dobrogea, Galmopan, Pan Group S.A., Standard Snacks and Alka.

6.4.2 Size/brand screening

After the first screening eleven companies proofed interesting for further investigation. For this screening round I have again looked at available information about the companies online. The information found gives a clear enough picture to be able to decide if the size of the company and the brand they own fits Bolletje's profile. For the screening table please see appendix G.

Croco
Croco has been visited by the head of exports early this year. The brand of Croco has been awarded the number 50 on nationally known brands list. Croco therefore is a brand Bolletje can work with in the future. If we look at the size of Croco in terms of turnover this is within the margin Bolletje has set for acceptable turnover. The turnover of Croco exceeds the 8.4 Mln. Euros (2007).

Dobrogea
Joop Vlietman also visited the Dobrogea grup, this was in 2006. Dobrogea owns multiple brands in biscuits, bakery products, cereals, milling, frozen products and it's own fresh concept. The "fresh" concept consists of 23 in-store bakeries were the consumer can find fresh healthy bread. Furthermore Dobrogea has commercials on national TV for bread, flour and biscuits and she is engaged in charity and attends events. The brand Dobrogea it self is also nationally known due to all these activities. Dobrogea therefore complies with the brand criteria.
The Turnover of Dobrogea is 72 mln euro according to the research done by Vlietman and van der Zwam. The website of Dobrogea on the other hand informs about a turnover of 60 mln. Euro. Due to the fact that the information is somewhat outdated and the figure of 72 mln is first hand I will keep to that figure. This means Dobrogea's turnover lies outside the turn over margin of 5-50 mln euro. Therefore Dobrogea normally would be removed from our candidate list. But due to the fact that Dobrogea had the interest of Bolletje in 2006 and it might still be interesting for equity joint venture I will keep it in the pool for further investigation.

Vel Pitar
Vel Pitar is a well known industrial baker in Romania, one of the biggest players. The brand therefore will meet our selection criteria. Only Vel Pitar seems to be to big for Bolletje. Vel Pitar managed a turnover of 130 mln. Euro last year and is targeting for 150 mln. this year. Vel Pitar is owned by a group of investors and has grown the last decennia through mergers and acquisitions. Bolletje could consider a stake in the company but will not be able to take

over or get a majority stake in the company. Therefore Vel Pitar will not be on the shortlist of candidates.

Rostar
Rostar solely manufactures biscuits, but it has a very deep product portfolio. This fits Bolletje's product portfolio. Some brands of Rostar are: Fox, Baby star and Dita. They all look very good and professional. The brands fit Bolletje's expectations. The size of the company is unknown but what I do know is that it is in hands of Turkish investors. This will probably make it hard to acquire shares, Rostar will therefore not be on the shortlist.

Galmopan
Galmopan seems to be a well known name in the Romanian bakery industry. In the beginning we have had some trouble finding information about this company. Mainly due to an website that is under construction. Later I did manage to enter it through their web designer company. The company has nice products with good looking packaging. The site is in Romanian but I can extract that they do attend events and are in the media occasionally. There brand seems well known in Romania. Galmopan looks like a company in development.
Galmopan realised a turnover of 24 mln. in 2007 with a net profit of around 1 mln. euro. This is within the turnover margin set by Bolletje. Galmopan therefore will be on the short list for further investigation.

Pan group
Is becoming one of the leading players in the Romanian milling and bakery industry. It ended 2007 with a turnover worth 23 million euro. Turnover in the first half of 2008 has grown 25 percent in comparison with 2007. According to general manager Florin Busuioc this increase is due to their enlarged marketing and sales activities as well as their commercial policies directed towards preserving market share. Pan group has conducted investments worth over 2 million euro in production technology since the beginning of the year. Their partnership with the German Kraft foods has resulted in a joint investment of over 1.35 million euro in modern technology for producing packaged cakes.

The fact that Kraft foods has done some mutual investment with Pan group could be problematic. It indicates Kraft food is already in a further stage of development with the company Pan Group. This doesn't have to mean Bolletje does not have a chance to invest in Pan group, but it could be that they only want to work with one partner. This should be further investigated. Pan group will be on the short list due to their good brand, nice product portfolio and good size for Bolletje to invest in.

Standard snacks
As far as we know Standard snacks owns multiple brands in Romania. If we look at there website we see different logo's for different brands and products. The brands look somewhat underdeveloped, very little information can be found. We therefore assume that the brands are not nationally known in Romania. What we have come to know is that Standard snacks is in hands of Turkish investors. Standard snacks therefore will not be on the shortlist.

Alka
Alka has one of the most beautiful websites and has websites for it's individual product categories as well. The brand Alka is well known in Romania. Also the size of the company is good for Bolletje to partner with. Their turnover is 30.6 mln USD (2005). Alka is definitely interesting for further investigation.

This analysis leaves the following target companies on the shortlist.
Croco, Dobrogea, Pan group, Galmopan and Alka.

Company	Enough product/market fit?	Good size and brand?	Shortlist
1 Croco	Y	Y	Y
2 Velpitar	Y	N	
3 Rostar	Y	N	
4 Europeanfood	N		
5 Dobrogea	Y	Y	Y
6 Arslan bifa	N		
7 Boromir	N		
8 Fornetti	N		
9 Galmopan	Y	Y	Y
10 harmopan	N		
11 Mopan S.A.	N		
12 Lujerul S.A.	N		
13 Pambac	N		
14 Pan group S.A.	Y	Y	Y
15 Aakgida	N		
16 Spicul S.A.	N		
17 Best foods	N		
18 Heidi	N		
19 Kandia	N		
20 Standard snacks	Y	N	
21 Starfoods	N		
22 Alka	Y	Y	Y
23 Arpis International	N		
24 Ana pan	N		
25Farinsan	N		
26 Titan S.A.	N		
27 Tecsa	N		
28 Rompak	N		
29 Romdil s.r.l.	N		
30 Puratos	N		
31 Plevnei	N		
32 Moaro Cibin	N		
33 Compan	N		

Y	Company stands up to criteria and will be in next round/on shortlist
N	Company does not stand up to criteria and will not be in the next round/ on the shortlist

Tabel 6.2 Selection of companies on shortlist

6.4.3 In-depth analysis

After the second screening five companies are left for in-depth analysis. The in-depth analysis will determine which company is the most suitable partner. First I will use the criteria mentioned in the research of Vlietman and van der Zwam (2006). The criteria are in table 5.3 and will help me to describe the companies in a systematic way. This will keep the analysis of the companies synoptic and comparable, the outcome of the analysis is put into a table. The data used is secondary data of qualitative and quantitative nature obtained through desk research. A table which contains the sources of the data can be found in appendix H. For a more complete research and primary data a visit to the companies is required.

Table 6.3 shortlist companies data

Organization	Croco	Dobrogea	Pan Group	Galmopan	Alka
Established	1994	1995	1993	1999	1994
Trustworthiness	Medium	High	?	?	?
Turnover	8 mln. Euro	72 mln. Euro	23 mln Euro (2007)	24 mln. Euro (2007)	30,6 mln. USD (2005)
Employees	250	1600	1100	1200	630
Net profit	?	7%-9%	1mln. 2006 with a turnover of 23mln euro	Around 1 mln. Euro	?
Prospected growth	?	8%	10% (not reached in 2007)	?	?
Product groups	Crackers, brezel, sticks, petit beurre and cream biscuits.	Flour, cereals, biscuits, frozen pastry, bread and pasta.	Crackers, bretzel, biscuits, sticks, waffles, cake, bread, petit beurre, pasta and flour	Cookies with chocolate, children's biscuits, various kinds of cookies, cookies with fruits (kind of jam like), ice	Wafers, nuts, cake, biscuits, coffee and dry fruits.
Export percentage	?	>10%	?	?	?
Certified with	?	HACCP, ISO 9001-14000	ISO 9001, Larex and Gold star	?	ISO 9001:2001, HACCP, DS 3027E : 2002 standard and Codex alimentarius.
export countries	Italy, Austria, Check Republic, Slovakia, Hungary, Croatia, Bulgaria, Moldavia and Germany.	Northern Africa and surrounding countries	?	?	Hungary
Number of outlets	1	6	43 stores, five production locations	40 own stores (2006) around Braila and Galati also trades with the big retailers	At least two, one in Hungary
Number of distribution points	80 distribution points, 2 for each county, they cover about 30000 clients	?	43 own stores	40 own stores (2006), around Braila and Galati, etc.	Nine regional distribution centres, 30000 stores. Also out of home, through horeca, some 80 clients (think mostly coffee).
Way of distribution	Direct sales to supermarkets/hypermarkets, sales through use of 80 distributors. One national sales manager, 3 regional sales managers, one logistic manager, 12 area sales managers, 27 merchandisers.	35 own stores, own service merchandising, own trucks	Trade with the common big retailers, some 60 local resellers, 43 own stores	Own stores, big retailers	Nine regional distribution centres, 30000 stores. Also out of home, through horeca, some 80 clients (think mostly coffee).

Number of production lines	Sticksline 12 tons/24 hours, crackersline 14-19 tons/24 hours, Brezel/crackerline 24-31 tons/24 hours, third brezel/crackerline 24-31 tons/24 hours.	3 breadlines, 2 biscuit lines other locations were not visited	(1995) Pasta line (PAVAN-MAPIMPIANTI Italian tech.) 24t/24h, (1998) cracker/biscuitline capacity unknown, (1999) Wafers,crakers and sticks line 6t/24h, five mills with grinding cap. of 350t/24h, 5 branches for the production of bread bakery and pastry goods with total cap. of 180t/24h.	?	?
Packing systems	?	Roll biscuit, single wrap, bread crop with clip	?	?	?
Production lines in comparison to Bolletje	?	Higher, qualitive as well as quantitative	?	?	?
Capacity of the lines	93 tons biscuits/24 hours	1000-1200kg biscuit per hour, foure biscuit 4-wrap 700 hits a minute (2 x 350), breadline 4 meter, 7000 breads per hour	See above	?	?
Developments, innovations	Maxi brezel, mini sticks, etc.	Bread with longer durability date (30 days) fermentation technology, breadtoast line	Some products	Moving plants, building plants	Health and diet products, nutline flash
Ownership structure	Sole partner, Damien Mereu	?	Privatized through MEBO (Management Employee Buy-Out) method.	Petrica Herascu, Majority shareholder	Krenzia family
Extra Information			Joint investment with Kraft foods of 1,35mln. Euro in producing packed cake	Invests 15 mln. euro in biscuit factory and another 15 mln. Euro in relocating a milk processing plant and two bakeries.	
Announcement: The data gathered is not always up-to-date and crucial decisions should not be solely based upon this information.					

In table 6.3 there is still information missing. The recommended way for Bolletje to obtain this information is to visit the Romanian companies.

We have now come to the point where we basically lack information to be able to make a legitimate comparison between the companies. Therefore, from here, the method of analysis will be exposed it will not be conducted.

Now the companies will be screened on the task and partner related criteria of Cavusgil et al. (2002) to be able to choose the best investment partner. Below we will explain the method and fill in the tables until normalised weights have been generated. The tables which reflect the company scores on partner and task related criteria cannot be filled in at this moment and are in appendix I blank. This requires people of Bolletje to go to Romania to be able to score the companies on the criteria. Therefore also the diagram which has to point out the best potential investment partner can not be filled in and is depicted in appendix J blank.

Partner related criteria
Partner related criteria refer to the qualifications of the partner, both tangible and intangible, that are not specific to the type of operations but affect the risk(s) faced. They include what might be called "personality traits" of the partner, such as business philosophy, reliability, motivation, commitment, intellectual property protection approach and some general characteristics, such as experience, reputation and political connections (Cavusgil et al., 2002, p. 113).
The partner related criteria have to be transferred into one criteria. In this way the companies can be put into the diagram. All companies will score grades between 0 and 10 on all partner related criteria. The partner related criteria will receive a weighing which has been given in consultation with Bolletje. All companies will receive a final grade on partner related criteria. This will be their y-coordinate in the diagram.

Task related criteria
Task related selection criteria refer to those criteria both tangible and intangible, human and nonhuman, that are relevant for the future viability in terms of operational requirements. These variables are specific to operational resources and skills related to the venture such as financial, marketing, organizational, production and R&D resources and customer service (Cavusgil et al., 2002, p. 115).
The task related criteria have to be transferred into one criteria, fit. The x-coordinate of the companies will be calculated in the same manner as with the partner related criteria.

First the different importance between the different partner related criteria and the different task related criteria are determined. This is done according to the Simple Multiple Attributes Rating System (SMART), (Edwards, 1971). Each criteria is compared to one another and is labelled either 'more important' or 'less important' by respectively a 1 or 0. The criteria with the most points is the most important, see tables 6.5 and 6.6.
After this every criteria is given a weight between 0 and 100, this is also done in consultation with Bolletje. These weights are then normalised and put into the final table which produces the coordinates to put in the final diagram. Please see tables 6.7 and 6.8 and appendices I and J.

Partner related criteria	Partner Characteristics	Property Rights Protection	Compatibility of Business Philosophies	Commitment	Motivation	Reliability	**Totaal**
Partner Characteristics	0	1	1	1	1	1	5
Property Rights Protection	0	0	0	0	0	0	0
Compatibility of Business Philosophies	0	1	0	0	1	0	2
Commitment	0	1	1	0	1	0	3
Motivation	0	1	0	0	0	0	1
Reliability	0	1	1	1	1	0	4

Table 6.5 Rating partner related criteria

Task related criteria	Financial Resources	R&D Resources	Marketing Resources	Production Resources	Organizational Resources	Customer Service	**Totaal**
Financial Resources	0	1	0	0	0	1	2
R&D Resources	0	0	0	0	0	1	1
Marketing Resources	1	1	0	0	0	1	3
Production Resources	1	1	1	0	1	1	5
Organizational Resources	1	1	1	0	0	1	4
Customer Service	0	0	0	0	0	0	0

Table 6.6 Rating task related criteria

Criteria (partner)	Original weight	Normalised weight
Partner Characteristics	100	22
Reliability	90	20
Commitment	80	18
Compatibility of Business Philosophies	75	17
Motivation	60	14
Property Rights Protection	40	9
	445	100

Table 6.7 Normalising partner criteria

Criteria (task)	Original weight	Normalised weight
Production Resources	100	21
Organizational Resources	95	20
Marketing Resources	90	19
Financial Resources	85	18
R&D Resources	65	14
Customer Service	40	8
	475	100

Table 6.8 Normalising task criteria

The outcome of the tables in appendix I will elaborate scores on the x-axis and y-axis in the partner/task diagram.
The best company will come forward. The scores can vary from 0 to 1000, theoretically.

6.5 Partner and task related criteria highlighted

6.5.1 Introduction

Here I will provide Bolletje with suggestions to focus on when researching the partner related and task related criteria.

6.5.2 Recommends

To assign grades to the companies on partner related and task related criteria when visiting Romania is not that hard. But Bolletje must prevent being to subjective when assigning the grades. This is why I will better explain the criteria so Bolletje has a better understanding of what they are exactly about. This will enable Bolletje to better assign the grades.

Partner related criteria

Partner Characteristics. Refer to several background characteristics of a prospective partner, that are perceived by managers as important to measure the contribution of the partner to the venture. For example reputation, experience, country of origin, complementariness of resources and political connections.

Property Rights Protection. Technological know-how or other intellectual properties may constitute an important competitive advantage. This refers to the risk that one might exploit the competitive advantage of the other. Therefore it is important to know the partner's approach to and mechanisms of enforcement for property rights protection. Especially when Bolletje brings in valuable intellectual property.

Compatibility of business philosophies. One of the main reasons of failure within a collaborating partnership is disagreement over operating strategies, policies and methods. An equity joint venture is doomed to fail unless the partners have compatible business philosophies. Bolletje therefore should look for similarities in thinking about doing business in the potential partner companies.

Commitment. Commitment of the partner to the venture is extremely important for its viability and success. The more committed the partners are the more likely they are willing to put in time and resources into the venture. Committed partners make more effort, try harder and therefore have more success.

Motivation. Major benefits of entering international partner ventures can be, risk sharing, complementary resources, market access, economies to scale and competitive leverage. It is important to have clear what your partners motives are and if the are compatible with your own.

Reliability. A prospective partners reliability refers to "the intentions and ability to accomplish what was promised". This is important because it shows how much you can trust and count on the partner. A question managers might ask themselves is "Is this partner solely interested in obtaining gains for itself?" If the answer is "yes," that partner might be inclined not to deal fairly. Partner characteristics like reasonableness, honesty and trustworthiness generally do not become evident until you have some business experience. Therefore it is preferable not to partner without positive business experience. If this is not the case, as with Bolletje in Romania one should be very careful and first try to get a decent picture of the company.

Task-related criteria

Financial resources. The current availability and future outlook of the financial resources that the partner can provide are important considerations. A lack of financial resources can slow down growth, can put additional financial burden on the partner or even cause failure of the partnership in the first place. For Bolletje it would be best to identify the financial ratio's of the prospected partners. This means profit margin on sales, return on total assets, return on company equity, etc. Bolletje should let, for example, Graydon do a financial check-up on all prospected partners. Bolletje should then be able to allocate grades to every prospected partner on financial resources.

R&D and Technical Resources. An organizations leverage is usually enhanced if it posses superior technology as well as good R&D and technical resources. These are particular important if the venture is primarily based on R&D, like in a joint R&D. For Bolletje it might be of less importance due to the fact hat she likes to bring her own technology and R&D.

Marketing resources. Market access as well as capabilities in marketing, promotion and sales and distribution are viewed as important critical success factors. For Bolletje it is rather important that the prospected partner posses marketing skills appropriate for the local market. Also present relationships in the market with for example distributors are important. Bolletje should analyse these relationships in order to determine which prospected partner possesses the best marketing resources.

Production resources. The production factors of the prospected partner are of extreme importance to Bolletje. The prospected partner might poses a good location, good fixed assets and a highly productive and efficient workforce. This will give room for decent investments. The workforce can be analysed too. Workforce should be analysed on education level, absenteeism, trainability and flexibility. Bolletje needs a partner with good healthy production resources in order to be able to leverage on their capabilities.

Organizational resources. The existing managerial skills and resources of a prospective partner can have impact on the selection of that partner. It is important that the partner has competent, experienced people to assign to the venture, as well as an effectively run organization. The analysis of the prospective partner should provide an overall measure of its approach to business transactions, its measure of performance, its levels of planning and control and its management and selection of personnel. Disagreement between partners over these subjects can lead to serious difficulties in daily decision-making.
Bolletje should also look to the way the prospected partner establishes courses of action and sets her goals. This gives insight into the extend, to which the approach to managing and conducting business are compatible. It is important, for example to check the planning and control system.
The senior personnel turnover refers to the number of times the senior employees are replaced in a year. This figure indicates the level of employment stability and thus the likelihood of continuing with the company goals, objectives and policies set by senior people.

Customer service. Customer service, including after-sales service, warranties and reverse distribution, can be a critical factor for success in the market. Good customer service will increase the likelihood of repurchase by the customer which is necessary for continued presence and success in the market. Customer service can become a competitive weapon under certain circumstances and within certain industries. For Bolletje however it will be of minor importance for the competitive position. Food is not service orientated, the customer does not need much help with using the product.

Bolletje should, after her own analysis, be able to assign grades on the criteria to the prospective partner companies. This will enable her to draw the companies into the final diagram and discover which company would be best to partner with.

6.6 Conclusion

We managed to develop a partner selection method and were able to identify five potential investment partners from the 33 initially selected companies. These companies are Croco, Dobrogea, Pan group, Alka and Galmopan. The companies are all attractive and should be considered serious investment potentials. For the follow-up research we described the method of analysing the companies more in-depth and the way in which Bolletje can select the best company to invest in (section 6.4.3 and 6.5.2.). This will eventually lead to the final diagram on which the best investment target will come forward.

7. Conclusions, recommendations and reflection

7.1 Conclusions

The objective of the research was to validate an investment entry in the Bakery sector of Romania. Besides this Bolletje would like to know in which company to invest and in what manner.

After this research we can conclude that an investment entry is suitable for Bolletje, that the best investment entry mode is an equity joint venture and that Romania and its bakery sector are promising which validates an investment entry.
Besides this we conclude that the companies on the shortlist need further investigation on partner and task related criteria to be able to make valid decisions.

From the internal analysis performed in chapter three we can conclude that Bolletje is capable of performing an investment entry. Bolletje possesses the skills needed and if necessary should at least be able to attract them. Besides this there is enough capital at hand to make a significant investment. The commitment to internationalization also proofed to be healthy. Bolletje as an international organization is also in a phase of development where investment entry would be a logical next step.

From the interviews we concluded Bolletje preferred entering the market through investment. Exports, due to low price discretion, proofed to be no option. Also contractual entry modes were not suiting Bolletje very well. A form of investment entry therefore is the best solution for a long-term presence in Romania. From the available investment entry modes, roughly: Greenfield sole venture, Greenfield joint venture, acquisition and equity joint venture we choose the equity joint venture. We did not choose for a form of Greenfield because we find it better to capitalize on existing capabilities. With good capabilities we mean, good production facilities, good employees, healthy and efficiently running operations and a stable position in the market. With a Greenfield operation it probably takes a few years to achieve this. Bolletje also has no experience in Greenfield investments and might lack experience and capabilities to do so. Usually also the return on investment takes much longer with Greenfield investments, because there will be no returns during the start-up phase.
We choose for equity joint venture over acquisition because Bolletje likes to keep the Romanian company committed through ownership. Besides this a partial ownership will enable Bolletje to better manage the company from a distance, the Romanian owners are likely to do the best they can for their company.

Romania is a emerging country. Economically booming, politically somewhat chaotic but not in a way affecting the investment decision. Also its EU accession will grant the necessary control over the political behaviour. The Romanian bakery sector is one of the most promising in Europe. Due to the heavily investing retailers the Romanians are switching their consuming from the little local stores to the big hyper- and supermarkets. This accelerates the transformation of their consumption from artisanal food to modern packed food. Bolletje should be among the first movers to maximise capitalisation on these developments.

Due to our partner selection method we were able to bring back the large candidate pool to five companies. These are: Croco, Dobrogea, Pan Group, Galmopan and Alka. They should be analysed more in-depth to choose the best investment partner.

7.2 Recommendations

On a short term:

- The responsible manager at Bolletje should contact the shortlist companies for there interest in cooperation. Preferable by a face to face meeting. This to bias a direct rejection of the target company when it receives, for example, a phone call and is not able to judge the full intent of Bolletje.
- The responsible manager at Bolletje should conduct further research on the shortlist companies.
    - This can be done by analysing the five companies further on the criteria from the former Bolletje research and on the task and partner related criteria. The task and partner related criteria can be given weights and then score points based on the in-depth analysis. These scores can then be processed in the final diagram to be able to identify the best candidate to invest in. The process is described in section 6.4.3.
    - Hire external expertise to analyse the companies more in-depth. Experts from, for example, Price Waterhouse Coopers Romania will have better access to information. They own the know how of doing business in Romania and might open doors that stay closed to others. Besides this they can advise about common pitfalls and the trustworthiness of the five candidates.
- The responsible manager at Bolletje should monitor the Romanian environment on important indicators.
    - The Romanian environment has changed since the beginning of this research. The data used was mainly gathered during the second quarter of 2008. Also due to the worldwide credit crisis it is important for Bolletje to keep monitoring the environment of Romania for important changes.
- The responsible manager a Bolletje should think about benefitting in a broader sense.
    - Identify more opportunities from having a subsidiary in Romania.
        - Relocate Dutch production for cost efficient production.
        - Export from Romania to surrounding Eastern European countries or Western countries.

7.3 Reflection

As the general structure of the research we have chosen for the model of Root (1994, p. 4) called: ‘the elements of an international market entry strategy’. The grey surrounded area has been the scope of the research.

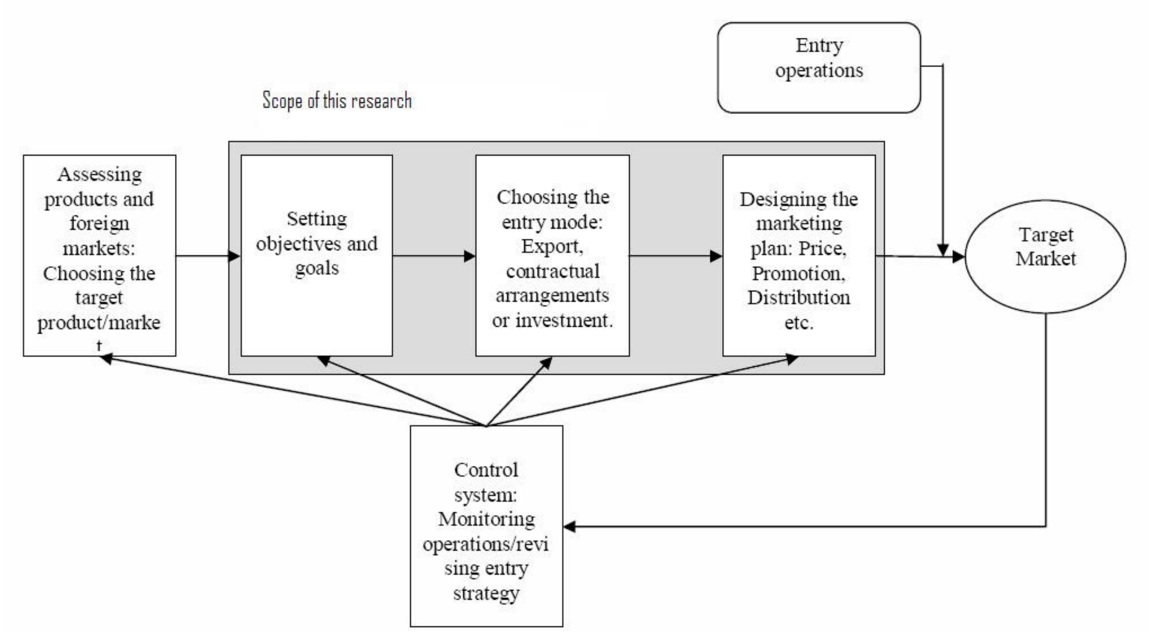

Figure 7.1 The elements of an international market entry strategy

The grey surrounded area was the basis for the following structure of the research.

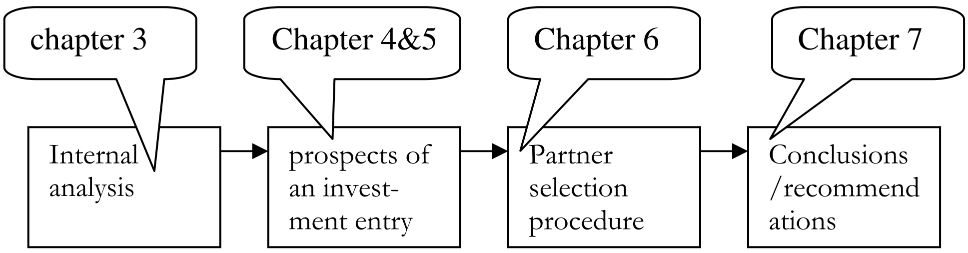

Figure 7.2 Research structure

The first step has been executed in the form of an internal analysis in chapter three. Defining the goals and objectives and analysing Bolletjes resource and commitment factors and product factors worked very well. It surfaced Bolletjes goals and objectives as well as it made clear it was ready for an investment entry.

The second step has been executed in chapter four and five through the ‘ Modified checkpoints in the investment decision process model’. This model guided the process very well. First the Romanian bakery sector was analysed then the investment climate and then the forecasted return on investment. The Romanian bakery sector and the investment climate were analysable. The forecasted return on investment on the other hand proofed to be hard to analyse. Mainly due to a lack of information and specific knowledge. Instead we made an cost price comparison of a sample product. It turned out that there could be made a cost price reduction of at least 30% mainly due to lower wages. Then in chapter five we assessed the

outcomes of chapter four on the investment plan. So overall we were able to show a decent picture of the investment climate and therefore the prospects of an investment entry.
The third step has been executed in chapter six. First a candidate pool was generated which was then analysed on criteria. The companies not following up to the criteria were no longer candidate. This worked very well and left us with five potential partners. They then had to be analysed in depth based on the criteria handed to me from Bolletje and the less tangible criteria of Cavusgil et al. (2002). Due to a lack of information I was not able to measure all criteria handed to me from Bolletje. Besides this, through the distance the task and partner related criteria of Cavusgil et al. (2002) could not be measured. It was here where our research had to be stopped. We have then described how the remaining companies should be analysed in a scientific way when information becomes available.

Overall we surfaced a load of useful information and executed the research as far as possible from here.

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Contact persons

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Appendices

Appendix A: Interviews taken

Interview with Joop Vlietman: Head of the export department and the eastern European account.

Central questions:

1. What is the strategic intent of Bolletje for going to Romania?
2. What products do you think will suit the Romanian market best?
3. What prices do you expect will be paid in Romania?
4. How do you want the Bolletje products to be promoted?
5. Where will the products be sold?
6. What entry mode does Bolletje prefer when entering the Romanian market and to what extend is it willing to put resources to this project?
7. What do you know of the Romanian bakery sector?
8. What qualifications is Bolletje looking for in a potential business partner?
9. What is the present status of Bolletje in Romania?

Interview with Geert-Jan van Ark at Bolletje B.V.

This interview will be taken face-to-face with Mister Geert Jan van Ark, chief executive at Bolletje B.V.

Subject strategy

1. What is the mission[13] of Bolletje?

2. What is the vision[14] or strategic intention of Bolletje?

3. What is the goal[15] of Bolletje?

4. What are the objectives[16] of Bolletje?

5. What is the strategic capability[17] of Bolletje?

De marketingmix

Price

6. Price depends on the cost of production, distribution and so on. On the other hand when setting the price one should think about the target market. How does Bolletje handle this, how does she set her price?

Product

[13] Mission: Overriding purpose in line with stakeholders expectations or values.
[14] Vision: Desired future state: the aspiration of the organization.
[15] Goal: General statement of aim or purpose
[16] Objectives: Quantification or more precise statement of the goal.
[17] Strategic capability: the competencies, knowledge, and skills that an organization can apply to achieve success in a competitive environment.

7. One of the most important aspects of a product is its brand. All decisions about product line and design have to be in line with the brand DNA. What about the DNA of the Brand Bolletje, what are the main features?

Promotion

The five most important promotional instruments are:

- Commercials and advertisement: mass marketing
- Personal sales: example sales presentation to customers.
- Sales promotion (promotional actions): buying incentives for the customer.
- Public relations: Working on your brand by building your image through contact with all important parties. Good publicity
- Direct marketing: one to one contact with the customers through for example: telephone, mail and e-mail

8. How does Bolletje use these promotion instruments?

Place

9. With place we mean the distribution channels that are used to get the products to the end user. Which channels are used by Bolletje.

Subject Romania

10. What are the main goals of Bolletje for Romania?
11. What is the strategic intent of Bolletje for going to Romania?
12. Which products, you think, are best suited for Romania?
13. What are in your opinion the main criteria a potential partner needs to poses?
14. Bolletje has been in Romania to look at interesting companies for cooperation. After assessing a few candidates Dobrogea looked very interesting. Can you explain why this hasn't led to an cooperation between Dobrogea and Bolletje?
15. What do you think are the opportunities in the Romanian market and how can Bolletje capitalize them?
16. What forms of market entry are you interested in and which you think is best?
17. What about the financial status of Bolletje, is there money to invest and a willingness to invest?
18. Do you have any experience in Romania, if so, what are your experiences in Romania?

Appendix B: Checklist for evaluating the investment climate of a foreign target country by Root (1994).

1. General political stability
    a. Past political behaviour
    b. Form of government
    c. Strength ideology of government
    d. Strengths/ideologies of rival political groups
    e. Political, social, ethnic and other conflict
2. Government politics toward foreign investments
    a. Past experience of foreign investors
    b. Attitude towards foreign investment
    c. Restrictions on foreign ownership
    d. Local content requirements
    e. Restrictions on foreign staff
    f. Other restrictions on foreign investments
    g. Incentives for foreign investments
    h. Investment entry regulations.
3. Other Government policies and legal factors
    a. Enforceability of contracts
    b. Fairness of courts
    c. Corporate/business law
    d. Labor laws
    e. Taxation
    f. Import duties and restrictions
    g. Patent/trademark protection
    h. Antitrust/restrictive practices laws
    i. Honesty/efficiency of public officials
4. Macro economic environment
    a. Role of government in economy
    b. Government development plans/programs
    c. Size/growth rate of gross national product
    d. Size/growth rate of population
    e. Size/growth rate of per-capita income
    f. Sectorial distribution of industry, agriculture and services
    g. Transportation/communications system
    h. Rate of inflation
    i. Government fiscal/monetary policies
    j. Price controls
    k. Availability/cost of local capital
    l. Management-labor relations
    m. Membership in custom unions or free trade areas
5. International payments
    a. Balance of payments
    b. Foreign exchange position/external debtness
    c. Repatriation restrictions
    d. Exchange rate behavior

Appendix C: The checklist for profitability of investments by Root (1994).

1. Market factors
    a. Size and prospective growth of the target market
    b. Competitive situation
    c. Marketing/distribution infrastructure
    d. Required scope effort of marketing effort
    e. Export sales potential
    f. Displacement of investors exports to target market.
    g. Projected new export sales to target market of investors finished product

2. Production/supply factors
    h. Required capital investment
    i. Availability/cost of plant site
    j. Availability/cost of local raw materials, energy and other non-labor inputs
    k. Availability/cost of imported inputs of parent company
    l. Availability/cost of imported inputs from other sources
    m. Transportation, port and warehousing facilities

3. Labor factors
    n. Availability/cost of local managerial, technical and office staff
    o. Availability/cost of expatriate staff
    p. Availability/cost of skilled, semi skilled and unskilled workers.
    q. Fringe benefits
    r. Worker productivity
    s. Training facilities and programmes
    t. Labor relations

4. Capital-Sourcing factors
    u. Availability/cost of local long-term investment capital
    v. Availability/cost of local working capital
    w. Availability/cost of host government financial incentives
    x. Required investment by parent company

5. Tax Factors
    y. Kinds of taxes and tax rates
    z. Allowable depreciation
    aa. Tax incentives/exemptions
    bb. Tax administration
    cc. Tax treaty with investor's country

Appendix D: Sample cost price calculation, fictitious numbers

		Sample
		Bolletjes
Article nr.		190164
Weight CE		6 x 30 gr.
Box containment		10
receipt nr.		999
Raw materials		106,84
Packaging:		
Wrap	72,50	
Consumer box	65,50	
Transport box	25,00	
Sticker	1,12	
Sticker SSCC labels	0,25	
Tape	0,60	
Glue	1,75	
Stretch folio	1,70	
		168,42
Energy		16,59
Wages	7,30	205,13
Ind. Wage benefit		6,90
Hourly wage	28,10	
Semi variable costs		54,98
costprice per 1000 CE		558,86

Shortened cost price calculation		Kosten		%
Raw material		106,84		19,12
Packaging		168,42		30,14
Energy		16,59		2,97
Wages		212,03		37,94
Semi variable		54,98		9,84
Costprice		558,86		100

Appendix E: Large pool candidate list

Company	Products	Contact
1 Croco	Brezel, Small crackers, Sticks, Biscuit	www.croco.ro
2 Velpitar	Fresh bread, Packed bread, Swiss rolls, Wafers, Biscuits, pastry	www.velpitar.ro
3 Rostar	Biscuits (specializes in biscuits, sweet, crispy, cream and filled)	www.rostar.ro
4 Europeanfood	Chocolate bars, Chocolate sticks, Wafers, peanuts, Cereals, Biscuits, Chips, snacks, Sauces, pasta and drinks (beer, energy, water)	http://www.europeanfood.ro
5 Dobrogea	Flour, artisanal bread, toast, packed and sliced bread, cake, pretzels, sticks all kinds of confectionary	http://www.dobrogeagrup.ro/
6 Arslan bifa	Biscuits, sticks and pretzels	http://www.arslan-bifa.com
7 Boromir	Bread (artisanal and packed), packed pastry, packed and filled croissant, packed biscuits, pasta, flour and sugar	http://www.boromir.ro
8 Fornetti	pastry snacks, pizza, bread with bacon etc.	http://www.fornetti.ro
9 Galmopan	Biscuits, pastry, diary	http://www.galmopan.ro
10 harmopan	Artisanal bread and backery products, wafers, Noodles and flour	http://www.harmopan.ro
11 Mopan S.A.	Flour, Packed bread, Packed cake, Cereals, ready-to-bake frozen products.	http://www.loulisgroup.ro Mopan has been taken over by Loulis
12 Lujerul S.A.	Fresh bread, sliced packed bread, pastry, sweets, flour. Looks artisanal	http://www.lujerul.ro
13 Pambac	Pasta, flour, bread (artisanal and packed), Cake	http://www.pambac.ro
14 Pan group S.A.	Biscuits, waffels, sweets, pastas, bretzels, sticks. Nice packed	http://www.pangroup.ro
15 Aakgida	Candy	http://www.aakgida.com)
16 Spicul S.A.	Mostly artisanal bread	http://www.spicul.ro
17 Best foods	Cake bars, Swiss rolls, Coissants, Chips, Snacks, peanuts. All nicely packed.	http://www.bestfoods-ltd.com/index.htm
18 Heidi	Chocolate	http://www.heidi.ro
19 Kandia	Choclolate en snacks	http://www.kandia-excelent.ro
20 Standard snacks	Biscuits, Sticks, Pretzels, Popcorn, Peanuts, Wafers (all nicely packed)	http://www.standardsnacks.ro
21 Starfoods	Chips and all kind of snacks (	http://www.starfoods.ro/

	looks like a distributer of major brands like Lays)	
22 Alka	Wafers, Peanuts, Little packed cake, kids biscuits, Biscuits, Coffee beans	http://www.alka.ro
23 Arpis International	Flour	
24 Ana pan	Bread and pastry	www.anapan.ro
25Farinsan	Toast, bread, flour. All Packed, somewhat traditional	www.farinsan.ro
26 Titan S.A.	Toast, cereal, cake all packed	www.titan.ro (loulis group)
27 Tecsa	Biscuits, candy, Wafers, Toffees, Turkish delight	www.tesca.ro
28 Rompak	Yeast and flour improvers	www.rompak.ro
29 Romdil s.r.l.	Website under construction. Looks good though	www.romdil.ro
30 Puratos	Cake and pastry	www.puratos.ro
31 Plevnei	Different kinds of bread, looks artisanal.	www.plevnei.ro
32 Moaro Cibin	Flour	
33 Compan	Biscuit, Bread.	

Appendix F: Screening table 1

Below I have depicted all companies and the reasons why they are, or are not in the pool after the first screening.

Company	*In pool after first screen?*	*Reason*
Croco	Yes	Modern look, good product/market fit
Velpitar	Yes	Fairly modern look, good product/market fit
Rostar	Yes	Very nice modern look, good product market fit
Europeanfood	No	Nice modern look, only snack orientated
Dobrogea	Yes	Nice modern look, excellent product/ market fit
Arslan bifa	No	Only biscuits sticks and Pretzels
Boromir	No	To artisanal
Fornetti	No	To snack orientated
Galmopan	Yes	Biscuits and cookies, modern look
harmopan	No	To artisanal and not much product fit
Mopan S.A.	Is over genomen door loulis	
Lujerul S.A.	No	To artisanal
Pambac	No	To much emphasis on pastas and only product/market fit is with bread
Pan group S.A.	Yes	Good product/market fit and nicely modern packing
Aakgida	No	Candy
Spicul S.A.	No	To artisanal
Best foods	No	To much snack orientated
Heidi	No	To much emphasis on chocolate
Kandia	No	To much emphasis on chocolate and snacks
Standard snacks	Yes	Much in common. Looks nice
Starfoods	No	To much focus on snacks and chips
Alka	Yes	Some fit, looks good
Arpis International	No	Only flour
Ana pan	No	To artisanal
Farinsan	No	Thin productline, somewhat artisanal
Titan S.A.	Onderdeel van Loulis	
Tecsa	No	Only biscuits and wafers
Rompak	No	Only ingredients
Romdil s.r.l.	No information	
Puratos	No	To artisanal, of Belgium origin, big company
Plevnei	No	To artisanal
Moaro Cibin	No	Only flour
Compan	No information	

Appendix G: Screening table 2

Company	*In Pool after second and third screen?*	*Reason*
Croco	Yes	Good size, good brand
Velpitar	No	To large, good brand though
Rostar	No	Good size, good brand, in hands of investor
Dobrogea	Yes	Good size, good brands
Galmopan	Yes/no	Information problem
Pan group S.A.	Yes	Good size, good brand
Standard snacks	No	Probably to big, snacks orientated and in hands of investors, good brand and appearance.
Alka	Yes	Good size, Good brand.
Romdil s.r.l.	*No*	To much emphasis on sweets, in hands of Turkish sweets manufacturer (http://www.bbw.ro/articol_45364/romdil_bakes_sweet_profits_in_2005.html)
Compan	No information	

Appendix H: Short list in-depth analysis.

Organization	Croco	Source:	Dobrogea	Source:	Pan Group	Source:	Galmopan	Source:	Alka	Source:
Established	1994	http://www.croco.ro/despre_en.htm	1995	Internal Report Bolletje	1993	http://www.pangroup.ro/index.php	1999	http://joe.eweb.ws/galmopan4/index.php?page=about_the_company&path=key_events&subpath=nunc_tellus	1994	http://www.alkagroup.ro/en/about.html
Trustworthiness	Medium	Joop Vlietman's experience	High	Internal Report Bolletje	?		?		?	
Turnover	8 mln. Euro	http://www.croco.ro/despre_en.htm	72 mln. Euro	Internal Report Bolletje	23 mln Euro (2007)	See supplement articles	24 mln. Euro (2007)	http://mcir.doingbusiness.ro/en/fmcg/food/1/2423-galmopan-sa.html	30,6 mln. USD (2005)	http://www.alkagroup.ro/en/about.html
Employees	250	http://www.croco.ro/despre_en.htm	1600	Internal Report Bolletje	1100	http://mcir.doingbusiness.ro/en/fmcg/food/1/792-pan-group-sa.html	1200	http://mcir.doingbusiness.ro/en/fmcg/food/1/2423-galmopan-sa.html	630	http://www.alkagroup.ro/en/about.html
Net profit	?		7%-9%	Internal Report Bolletje	1mln. 2006 with a turnover of 23mln euro	http://www.zf.ro/zf-english/pan-group-reports-results-behind-the-estimates-3041500/	Around 1 mln. Euro	http://www.zf.ro/zf-english/galmopan-relocates-most-of-production-to-braila-2871047/	?	
Prospected growth	?		8%	Internal Report Bolletje	10% (not reached in 2007)	see supplement articles	?		?	
Product groups	Crackers, brezel, sticks, petit beurre and cream biscuits.	http://www.croco.ro/despre_en.htm	Flour, cereals, biscuits, frozen pastry, bread and pasta.	Internal Report Bolletje	Crackers, bretzel, biscuits, sticks, waffles, cake, bread, petit beurre, pasta and flour	http://www.pangroup.ro/produse.php?catid=14	Cookies with chocolate, children's biscuits, various kinds of cookies, cookies with fruits (kind of jam like), ice	http://joe.eweb.ws/galmopan4/index.php?page=products&path=fructine	Wafers, nuts, cake, biscuits, coffee and dry fruits.	http://www.alkagroup.ro/en/about.html
Export percentage	?		>10%	Internal Report Bolletje	?		?		?	
Certified with	?		HACCP, ISO 9001-14000	Internal Report Bolletje	ISO 9001, Larex and Gold star	http://www.pangroup.ro/premii.php	?		ISO 9001:2001, HACCP, DS 3027E : 2002 standard and Codex alimentarius.	http://www.alkagroup.ro/en/calitate.html
export countries	Italy, Austria, Check Republic, Slovakia, Hungary, Croatia, Bulgaria, Moldavia and Germany.	http://www.croco.ro/despre_en.htm	Northern Africa and surrounding countries	Internal Report Bolletje	?	?	?		Hungary	http://www.zf.ro/zf-english/alka-aims-to-double-exports-3095558/
Number of outlets	1	http://www.croco.ro/despre_en.htm	6	Internal Report Bolletje	43 stores, five production locations	http://www.pangroup.ro/index.php	40 own stores (2006) around Braila and Galati also trades with the big retailers	http://www.zf.ro/zf-english/galmopan-relocates-most-of-production-to-braila-2871047/	At least two, one in Hungary	http://www.zf.ro/zf-english/alka-aims-to-double-exports-3095558/
Number of distribution points	80 distribution points, 2 for each county, they cover about 30000 clients	http://www.croco.ro/despre_en.htm	?	Internal Report Bolletje	43 own stores	http://www.zf.ro/zf-english/pan-group-reports-results-behind-the-estimates-3041500/	40 own stores (2006), around Braila and Galati, etc.	http://www.zf.ro/zf-english/galmopan-relocates-most-of-production-to-braila-2871047/	Nine regional distribution centres, 30000 stores. Also out of home, through horeca, some 80 clients (think mostly coffee).	http://www.alkagroup.ro/en/distributie.html

Way of distribution	Direct sales to supermarkets/ hypermarkets, sales through use of 80 distributors. One national sales manager, 3 regional sales managers, one logistic manager, 12 area sales managers, 27 merchandisers .	http://www.croco.ro/despre_en.htm	35 own stores, own service merchandising , own trucks	Internal Report Bolletje	Trade with the common big retailers, and some 60 local resellers, 43 own stores	http://www.pangroup.ro/parteneri.php	Own stores, big retailers		Nine regional distribution centres, 30000 stores. Also out of home, through horeca, some 80 clients (think mostly coffee).	http://www.alkagroup.ro/en/distributie.html
Number of production lines	Stickslines 12 tons/24 hours, crackersline 14-19 tons/24 hours, Brezel/crackerline 24-31 tons/24 hours, third brezel/crackerline 24-31 tons/24 hours.	http://www.croco.ro/despre_en.htm	3 breadlines, 2 biscuit lines other locations were not visited	Internal Report Bolletje	(1995) Pasta line (PAVAN-MAPIMPIANTI Italian tech.) 24t/24h, (1998) cracker/biscuitline capacity unknown, (1999) Wafers,crakers and sticks line 6t/24h, five mills with grinding cap. of 350t/24h, 5 branches for the production of bread bakery and pastry goods with total cap. of 180t/24h.	http://www.pangroup.ro/index.php	?		?	
Packing systems	?		Roll biscuit, single wrap, bread crop with clip	Internal Report Bolletje	?		?		?	
Production lines in comparison to Bolletje	?		Higher, qualitive as well as quantitative	Internal Report Bolletje	?		?		?	
Capacity of the lines	93 tons biscuits/24 hours	http://www.croco.ro/despre_en.htm	1000-1200kg biscuit per hour, foure biscuit 4-wrap 700 hits a minute (2 x 350), breadline 4 meter, 7000 breads per hour	Internal Report Bolletje	See above		?		?	
Developments, innovations	Maxi brezel, mini sticks, etc.	http://www.croco.ro/despre_en.htm	Bread with longer durability date (30 days) fermentation technology, breadtoast line	Internal Report Bolletje	Some products	http://www.pangroup.ro/produse.php?catid=14	Moving plants, building plants	See supplements article	Health and diet products, nutline flash	http://www.zf.ro/zf-english/alka-aims-to-double-exports-3095558/
Ownership structure	Sole partner, Damien Mereu	http://www.croco.ro/despre_en.htm	?		Privatized through MEBO (Management Employee Buy-Out) method.	http://www.pangroup.ro/index.php	Petrica Herascu, Majority shareholder	See supplements article	Krenzia family	http://www.zf.ro/zf-english/alka-aims-to-double-exports-3095558/
Extra Information					Joint investment with Kraft foods of 1,35mln. Euro in producing packed cake	See supplement articles	Invests 15 mln. euro in biscuit factory and another 15 mln. Euro in relocating a milk processing plant and two bakeries.	See supplement articles		
Announcement: The data gathered is not always up-to-date and crucial decisions should not be solely based upon this information.										

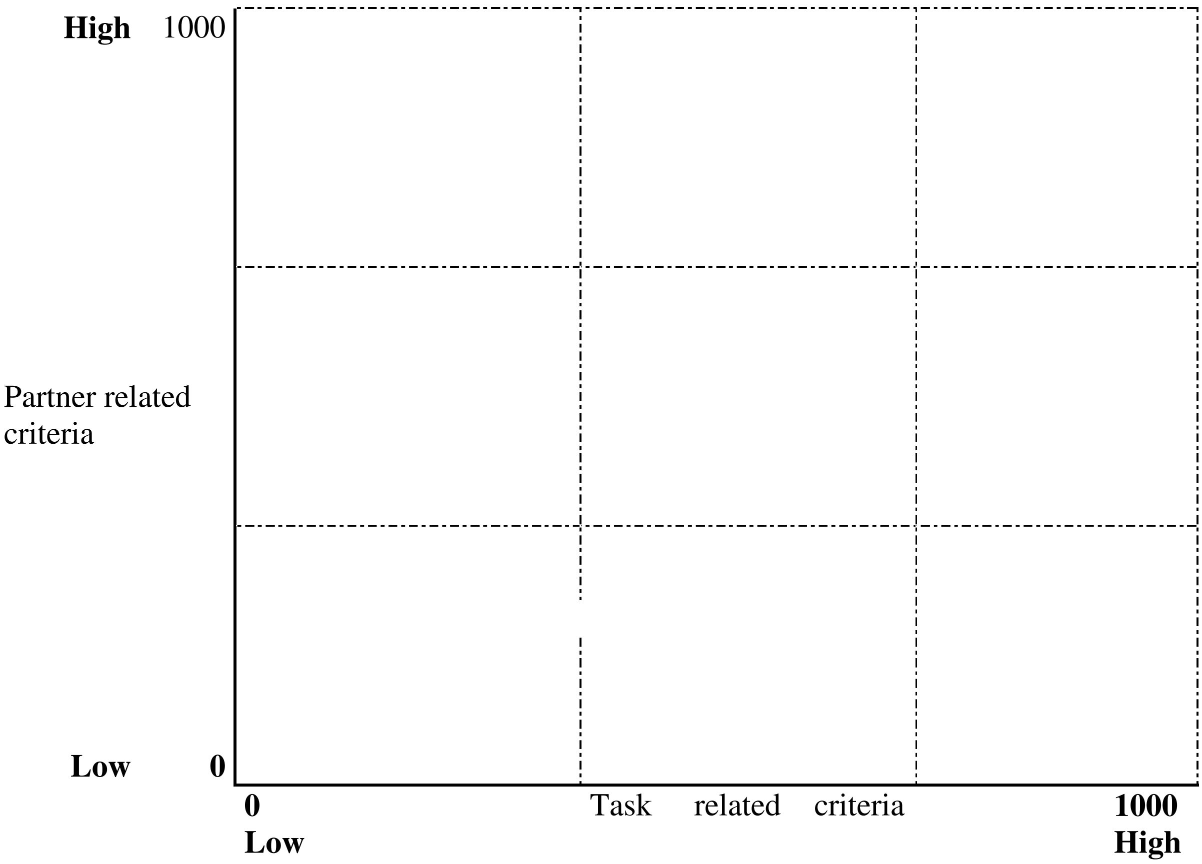
Company \ Criteria (Task)	Financial Resources	R&D Resources	Marketing Resources	Production Resources	Organizational Resources	Customer Service		
Normalised Weight	21	20	19	18	14	8	**Score =**	Coordinate on x-axis
Croco							0	
Dobrogea							0	
Pan group							0	
Galmopan							0	
Alka							0	

Table 5.8 Company scores on task related criteria

Company \ Criteria (Partner)	Partner Characteristics	Property Rights Protection	Compatibility of Business Philosophies	Commitment	Motivation	Reliability		
Normalised Weight	22	20	18	17	14	9	**Score =**	Coordinate on y-axis
Croco							0	
Dobrogea							0	
Pan group							0	
Galmopan							0	
Alka							0	

Table 5.9 Company scores on partner related criteria

Appendix J: Final scoring diagram



SECTOR DATA

Table 1 Sales of Baked Goods by Subsector: Volume 2002-2007

'000 tonnes

	2002	2003	2004	2005	2006	2007
Bread	1,888.0	1,844.7	1,822.4	1,843.7	1,886.1	1,940.0
- Packaged/industrial bread	28.4	52.0	99.6	195.0	316.0	450.0
- Unpackaged/artisanal bread	1,859.6	1,792.7	1,722.8	1,648.7	1,570.1	1,490.0
Pastries	8.4	8.8	9.3	10.1	10.9	11.6
- Packaged/industrial pastries	6.8	7.0	7.4	7.9	8.3	8.7
- Unpackaged/artisanal pastries	1.6	1.8	2.0	2.3	2.6	2.9
Cakes	32.6	31.4	29.9	29.7	30.6	31.6
- Packaged/industrial cakes	1.9	1.8	1.7	1.9	2.1	2.3
- Unpackaged/artisanal cakes	30.7	29.6	28.2	27.8	28.5	29.3
Baked goods	1,929.0	1,884.9	1,861.7	1,883.5	1,927.6	1,983.2

Source: *Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates*

Table 2 Sales of Baked Goods by Subsector: Value 2002-2007

RON million

	2002	2003	2004	2005	2006	2007
Bread	2,148.5	3,155.0	3,633.8	4,158.0	4,676.3	5,144.0
- Packaged/industrial bread	91.0	241.9	481.1	959.5	1,517.6	2,092.5
- Unpackaged/artisanal bread	2,057.6	2,913.1	3,152.7	3,198.5	3,158.7	3,051.5
Pastries	90.4	99.9	113.9	136.5	164.6	185.0
- Packaged/industrial pastries	66.3	71.7	80.3	95.8	117.0	129.4
- Unpackaged/artisanal pastries	24.1	28.2	33.6	40.7	47.6	55.6
Cakes	667.4	755.9	704.8	654.8	625.6	612.3
- Packaged/industrial cakes	24.8	26.7	29.2	31.2	33.2	35.1
- Unpackaged/artisanal cakes	642.5	729.1	675.6	623.6	592.4	577.2
Baked goods	2,906.3	4,010.8	4,452.5	4,949.3	5,466.5	5,941.2

Source: *Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates*

Table 3 Sales of Baked Goods by Subsector: % Volume Growth 2002-2007

% volume growth

	2006/07	2002-07 CAGR	2002/07 TOTAL
Bread	2.9	0.5	2.8
- Packaged/industrial bread	42.4	73.8	1,485.1

- Unpackaged/artisanal bread	-5.1	-4.3	-19.9
Pastries	6.6	6.6	37.4
- Packaged/industrial pastries	5.3	5.1	28.4
- Unpackaged/artisanal pastries	10.9	11.8	74.8
Cakes	3.2	-0.6	-3.1
- Packaged/industrial cakes	9.5	3.5	18.6
- Unpackaged/artisanal cakes	2.7	-0.9	-4.5
Baked goods	2.9	0.6	2.8

Source: *Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates*

Table 4 Sales of Baked Goods by Subsector: % Value Growth 2002-2007

% current value growth

	2006/07	2002-07 CAGR	2002/07 TOTAL
Bread	10.0	19.1	139.4
- Packaged/industrial bread	37.9	87.2	2,200.5
- Unpackaged/artisanal bread	-3.4	8.2	48.3
Pastries	12.4	15.4	104.7
- Packaged/industrial pastries	10.6	14.3	95.1
- Unpackaged/artisanal pastries	16.8	18.2	131.1
Cakes	-2.1	-1.7	-8.3
- Packaged/industrial cakes	5.7	7.2	41.3
- Unpackaged/artisanal cakes	-2.6	-2.1	-10.2
Baked goods	8.7	15.4	104.4

Source: *Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates*

Table 5 Packaged/Industrial Bread % Breakdown by Type 2004-2007

% units

	2004	2005	2006	2007
French bread	1.0	3.0	9.1	12.7
Mixed wheat bread	1.5	2.5	3.1	3.2
Rolls	4.5	3.5	3.2	2.9
Rye bread	12.0	15.0	15.9	16.2
White	54.0	45.0	39.0	37.0
Wholewheat bread	22.0	24.0	25.3	24.5
Others	5.0	7.0	4.4	3.5
Total	100.0	100.0	100.0	100.0

Source: *Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates*

Table 6 Packaged Cakes: Single Portion vs Multi-pack % Breakdown by Type 2004-2007

% retail value rsp

	2004	2005	2006	2007
Single portion	34.1	38.5	46.1	49.2
Multi portion	65.9	61.5	53.9	50.8
Total	100.0	100.0	100.0	100.0

Source: *Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates*

Table 7 Baked Goods Company Shares 2002-2006

% retail value rsp

Company	2002	2003	2004	2005	2006
Vel Pitar SA	0.1	0.3	1.2	3.6	6.2
Loulis SA	-	-	-	2.9	4.8
Dobrogea Grup SA	0.5	1.0	1.8	2.5	3.9
Chipita Romania SRL	1.9	1.6	1.6	1.7	1.9
Snack Attack SRL	0.0	0.1	0.2	0.3	0.5
Can Serv SRL	0.0	0.1	0.2	0.2	0.3
Kandia-Excelent SA	-	-	0.2	0.2	0.2
Bega Pam SA	0.1	0.1	0.1	0.1	0.1
Primo SRL	0.2	0.1	0.0	0.0	0.0
Victoria SA	0.1	0.1	0.1	0.0	0.0
Danesita Hungária Kft	0.1	0.1	0.1	0.0	0.0
Romanian Flour Mills Loulis SA	0.4	1.0	2.0	-	-
Excellent SA	0.2	0.2	-	-	-
Artisanal	93.7	91.5	86.7	78.0	69.5
Others	2.5	4.0	5.9	10.4	12.5
Total	100.0	100.0	100.0	100.0	100.0

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates

Table 8 Baked Goods Brand Shares 2003-2006

% retail value rsp

Brand	Company	2003	2004	2005	2006
French Toast	Vel Pitar SA	-	0.6	2.9	6.2
Belforno	Loulis SA	-	-	2.8	4.8
Dobrogea	Dobrogea Grup SA	1.0	1.8	2.5	3.9
7 Days	Chipita Romania SRL	0.9	1.0	1.1	1.3
Snack Attack Gold	Snack Attack SRL	0.1	0.2	0.3	0.5
Chipicao	Chipita Romania SRL	0.4	0.4	0.5	0.5
Primavara	Can Serv SRL	0.1	0.2	0.2	0.3
Magura	Kandia-Excelent SA	-	0.2	0.2	0.2
Madeleines	Bega Pam SA	0.1	0.1	0.1	0.1
Victoria	Victoria SA	0.1	0.1	0.0	0.0
Danesita	Danesita Hungária Kft	0.1	0.1	0.0	0.0
Vel Pitar	Vel Pitar SA	0.3	0.5	0.7	-
Fantastic Star	Chipita Romania SRL	0.3	0.2	0.1	-
Best	Primo SRL	0.1	0.0	0.0	-
Belforno	Romanian Flour Mills Loulis SA	0.8	1.9	-	-
Artino	Romanian Flour Mills Loulis SA	0.2	0.2	-	-
Magura	Excellent SA	0.2	-	-	-
Dieta	Romanian Flour Mills Loulis SA	-	-	-	-
Artisanal		91.5	86.7	78.0	69.5
Others		4.0	6.0	10.5	12.6
Total		100.0	100.0	100.0	100.0

Source: Official statistics, trade associations, trade press, company research, store checks, trade interviews, Euromonitor International estimates

Table 9 Forecast Sales of Baked Goods by Subsector: Volume 2007-2012

'000 tonnes

	2007	2008	2009	2010	2011	2012
Bread	1,940.0	1,975.0	1,990.0	1,975.0	1,950.0	1,915.0
- Packaged/industrial bread	450.0	575.0	680.0	755.0	820.0	870.0

Appendix L: Utilities costs and wages

Utilities costs - valid in January 2008		
Region	*Power Ron/kw/h*	*Gas Ron/1000 mc*
West Region*	0,1680 - 0,3471 (high voltage 220 kv)	978,33 - 999,10
South Region*	0,1691 - 0,3495 (high voltage 220 kv)	1007,09 - 1043,92
East Region*	0,1671 - 0,3454 (high voltage 220 kv)	914,16 - 983,10
North Region*	0,1675 - 0,3461 (high voltage 220 kv)	832,01 - 901,89
Central Region (Cluj)*	0,1671 - 0,3454 (high voltage 220 kv)	914,16 - 983,10

- Prices vary depending on consumption and electric power

-* The prices do not include excise duties and VAT

Utilities costs for Brasov area, valid in January 2008	
Utility	*Cost*
Gas	867.95 RON /1,000 m3= 230.26 Euro / 1,000 m3
Power	0.3880 RON / kWh = 0.12 Euro / kWh
Water	1.75 RON / m3 = 0.46 Euro / m3
Sewarage	0.70 RON / m3 = 0.19 Euro / m3

Source: ICCO - Industrial Park Administrator

Utilities costs for Northern Area (Maramures County), valid in January 2008	
Utility	*Cost*
Gas	951 RON /1,000 m3= 252.27 Euro / 1,000 m3
Power	0.2673 RON / kWh = 0.07 Euro / kWh
Water	1.47 RON / m3 = 0.397 Euro / m3
Sewarage	Included in mentioned utilities costs

Source: TRANSILVANIA INVEST SA - Industrial Park Administrator

Utilities costs for Eastern Area (Tehnopolis Industrial Park), valid in January 2008	
Utility	*Cost*
Gas	970 RON /1,000 m3= 265 Euro / 1,000 m3
Power	0.4012 RON / kWh = 0.109 Euro / kWh
Water	1.87 RON / m3 = 0.2945 Euro / m3
Sewarage	0.84 RON / m3 = 0.23 Euro / m3

Source: TEHNOPOLIS SRL - Industrial Park Administrator

Wages

In March 2008, gross nominal average earnings were Euro 436 and the net nominal average earnings were Euro 320. The highest values of net nominal average earnings were registered in the activities of financial intermediation (Euro 966) and the lowest ones in wood and wood and cork products processing, except furniture (Euro 181). The National Institute of Statistics releases each month a report including also the level of gross and net average earnings by CANE (Classification of Activities in the National Economy) divisions.
http://www.insse.ro/cms/rw/resource/bsl.pdf?download=true

Average Monthly Salary / Industry

March 2008 Euro - 3.7218 RON	**Gross Salary**	**Net Salary**
	EUR	**EUR**
Agriculture	302	225
Manufacturing industry	355	266
Food and Drinks Industry	335	250
Textile Industry	265	202
Chemical Industry	540	395
Machines and Equipment Industry	412	306
Energy Industry	723	525
Constructions	364	268
Trade	363	267
Hotels and Restaurants	252	191
Land Transportation	420	308
Water Transportation	523	381
Air Transportation	1062	753
Telecommunications and Postal services	623	451
Financial Intermediation Services	1354	966
Education	500	360
OVERALL	**436**	**320**

Monthly data regarding salary earning and number of employees are obtained by a sampling survey, which, since January 2001, is carried out on a sample of about 10500 economic and social units, covering about 74% of total employees in the economy. The sample is representative at national level and by economic activities[18].

[18] http://arisinvest.ro/en/why-romania/human-resources/

Appendix M: Macro economic information

Table: Economic Activity

	2005	2006	2007	2008f	2009f	2010f	2011f	2012f
Nominal GDP, RONbn [2]	287.2	342.4	376.4	465.8	513.8	569.8	642.6	708.7
Nominal GDP, US$bn [3]	98.70	121.90	155.50	190.10	209.70	237.40	264.40	297.80
Real GDP growth, % change y-o-y [1,2]	4.1	7.7	5.8	6.2	4.9	5.2	4.6	4.5
GDP per capita, US$ [3]	4577	5649	7228	8877	9800	11136	12426	13366
Population, mn [2]	21.60	21.60	21.50	21.40	21.40	21.30	21.30	22.30
Industrial production index, % y-o-y, ave [4]	2.0	7.1	5.0	4.8	6.2	5.4	5.4	5.2
Unemployment, % of labour force, eop [2]	5.9	5.2	4.0	3.7	3.6	3.5	3.5	3.9

Notes: [f] BMI forecasts. [1] The Oxford Economic Forecasting model is used when generating forecasts.; Sources: [2] National Institute of Statistics. [3] BMI calculation; [4] National Bank of Romania.

Drivers of competitiveness

	Romania	Bulgaria	Croatia	Turkey	CEE-8	EU-15
Population (mn)	21.7	7.8	4.4	71.6	73.0	387.4
Average age (years)	38	41	40	27	38	39
Students 15–24 years (%)[1]	47	49	55	27	65	60
GDP per capita, € (2005)	3,670	2,780	6,970	4,030	7,410	26,500
Labour Productivity per person (EU25=100, 2005)	39	34	60	39	62	106
Monthly Labour Cost, € (2005)	365	235	989	677	842	3,431
Corporate tax (%)	16	10	20	20	20	29
Infrastructure[2]	3+	3	3	n.a.	3+	n.a.

1) Students aged 15–24 years as a percentage of corresponding age population;
2) The indicator ranges from 1 (little or no change from a rigid centrally planned economy) to 4+(standard of an industrialized market economy);
Source: Eurostat, EBRD-Transition Report 2006, Statistical Offices, UniCredit Group CEE Research

Source: UniCreditGroup, competitiveness report Romania, 2007.
Authors: Fabio Mucci, Rozalia Pal and Debora Revoltella.

Roemenië: Roemeense detailhandel groeit het snelst van alle EU-lidstaten
Datum: 10.09.2008

Roemenië is binnen de EU de grootste stijger in de eerste helft van 2008 op het gebied van de detailhandel. In juli 2008 boekte de sector een omzetgroei van maar liefst 18,4 procent ten opzichte van juli 2007. Volgens marktspecialisten is deze groei voornamelijk te danken aan de stijgende verkopen van kleding en voedingsmiddelen.
De toenemende koopkracht is de belangrijkste motor achter deze ontwikkeling. Daarnaast kiezen steeds meer Roemeense consumenten voor moderne westerse supermarkten en kledingketens om hun inkopen te doen. Dit gaat ten koste van de traditionele verkoopkanalen, zoals de markt.

Roemenië: Craiova aantrekkelijk voor buitenlandse investeerders

Datum: 10.09.2008

De stad Craiova, een middelgrote stad in het zuiden van Roemenië met 300.000 inwoners, is een nog relatief onbekende bestemming voor buitenlandse bedrijven. Toch liggen er volop kansen in Craiova. Vooral de beschikbaarheid van personeel tegen nog betrekkelijk lage kosten en de aanzuigende werking van grote industrieën maken de stad aantrekkelijk.
In het bijzonder in de automobielindustrie liggen kansen. Vanaf 2009 zal Ford er 300.000 auto's per jaar gaan produceren. Momenteel wordt overlegd met de toeleveranciers van Ford voor vestiging in de regio. Naast de zware industrie biedt ook de landbouw goede kansen.
In Craiova zijn drie Nederlandse bedrijven gevestigd: een brouwerij van Heineken, een textielfabriek van Bondia Tricot en het ICT-bedrijf NetRom, dat de grootste is in de stad. Wel zal regio nog flink moeten investeren in de bereikbaarheid en de infrastructuur.

Romania’s overheating economy
Author: **Countries and Consumers**
Date published: **14 Mar 2008**
In early February 2008, the Romanian central bank raised interest rates for a third consecutive time to 9.0%, as inflation and currency pressures threaten to derail the heated economy and burden consumers and businesses with unsustainable debts.

Issue
Despite continued strong growth in 2008, there is a growing risk that Romania's macroeconomic imbalances – rising current account and budget deficits and renewed inflationary pressures – will put downward pressure on the leu, exposing indebted consumers and businesses to higher financing costs. Investment inflows may decline as cautious investors shy away from countries perceived as higher risk amid the global credit crisis.
Importance
Real GDP growth in Romania – which averaged 6.4% in 2003-2007– has been built on a surge in consumer spending, facilitated by wage and credit growth and increased macroeconomic stability as the government overhauled the economy ahead of EU accession in 2007:
Wages and disposable incomes have been rising quickly, from a low base:

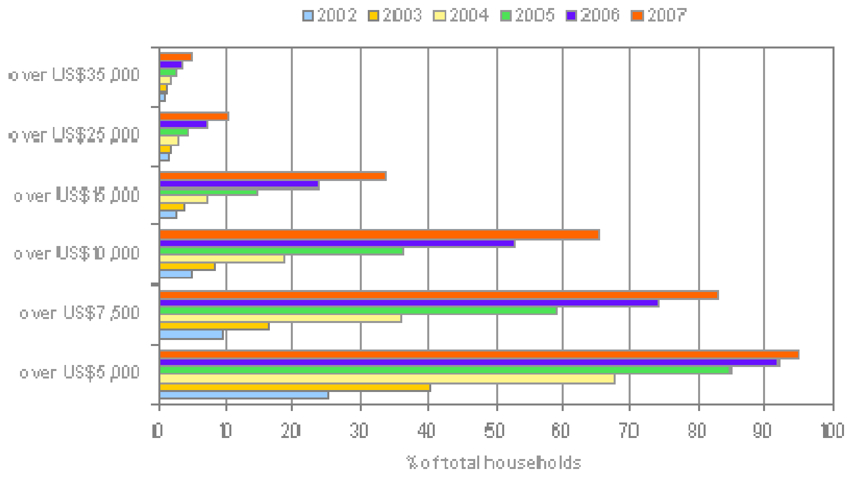
- In 2007, net monthly wages rose an annual 23.5%, while public sector wages rose 20%;
- The proportion of households with a disposable income above US$15,000 reached 33.7% in 2007, from only 4.0% in 2003;
- Consumer expenditure reached €85.3 million in 2007, up from €33.0 million in 2002.

The growth in consumer spending has been heavily debt-fuelled. There has been a rapid increase in domestic lending, in the context of a marked decline in inflation and interest rates since 2003:

- Annual inflation averaged 4.3% in 2007, down from 22.5% in 2002;
- Domestic credit growth averaged around 55% annually in 2005-2007, while credit growth to households was even higher.

Approximately 50% of private sector loans (household and corporate) are foreign currency (i.e. euro) denominated, amid low interest rates and a strengthening exchange rate ahead of EU accession. This leaves Romania exposed to a shift in external conditions.

Romania household disposable incomes: 2002-2007



Source: Euromonitor International from national statistics

Implications

Romania's economy is at risk of overheating, as strong private consumption and increased government spending are accompanied by a renewed rise in inflation.

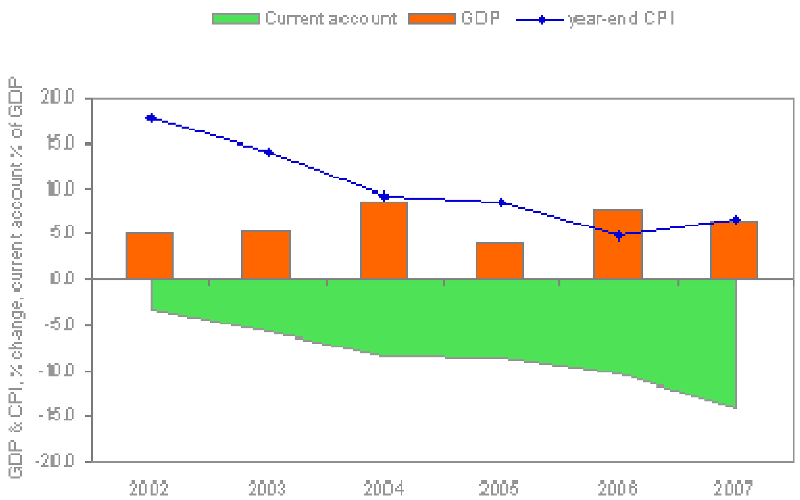
Inflation has been driven up by supply-side pressures, particularly food and energy prices, as well as demand pressures from rapid GDP and consumption growth. The central bank missed its 2007 annual inflation target of 4.0% (+/- 1.0%):

- Inflation ended the year at 6.6% in December 2007, up from 4.9% in December 2006.

There are rising current and fiscal account deficits:

- In 2007, the current account deficit, driven by consumer goods imports, was worth 14.1% of GDP, while the fiscal deficit was an estimated 2.4% of GDP.

Real GDP and consumer price inflation growth and current account as a percentage of GDP: 2002-2007



Source: Euromonitor International from International Monetary Fund (IMF), International Financial Statistics and World Economic Outlook/UN/national statistics

The IMF and international ratings agencies have warned that Romania could be particularly vulnerable to a downturn in global financing conditions. The local currency, the leu, came under depreciatory pressure in the second half of 2007, amid fears about the impact of the global credit crunch on the indebted Romanian economy:

- The exchange rate ended 2007 at RON/€3.58, down from RON/€3.39 at end-2006.

A fall in FDI, combined with a weaker currency, could have severe implications for the economy, by making the deficits unsustainable:

- FDI inflows averaged US$5.6 billion a year in the period 2003-2006, typically financing 70%-80% of the current account deficit.

For consumers and businesses, the lower exchange rate has raised the cost of repaying euro-denominated loans. The private sector will also feel the pinch as other costs rise – for example, rent and utility bills are quoted in euro but paid in leu.

The central bank has been forced to tighten monetary policy in an effort to stem inflation and currency pressures and also rein in the record local credit growth:

- In early February, the bank raised interest rates for a third consecutive time to 9.0%. It also left its minimum reserve requirements on commercial bank deposits at 40% for foreign-exchange deposits and 20% for local currency deposits.

Future scenarios

In 2008, economic growth will continue to be driven by government spending and private consumption, amid generous wage and pension settlements ahead of elections in the final quarter of 2008:

- On January 1st 2008, the minimum wage was increased by 28%;
- Real GDP growth is forecast at 6.0% in 2008, following estimated growth of 6.3% in 2007.

Amid growing concerns about the risk of an inflationary spiral the government has announced slower public wage increases in 2008. Public sector wage increases are typically mirrored in the private sector. Nonetheless, fiscal policy will remain quite accommodative, with expected higher government spending on infrastructure and social programs ahead of the elections.

In February, the central bank revised its year-end inflation projection to 5.9% annually, from 4.3% previously. However, inflation has not yet peaked and the currency remains under pressure. This means that further interest rate hikes are likely in the near term.

As the impact of monetary tightening gradually kicks in, inflation and consumption growth will be more muted in the second half of the year. This will result in lower business profits, while tighter lending conditions may also slow investment growth.

In the worst case scenario, a sustained downturn in external conditions could put further downward pressure on the leu and on local consumers and investors. In this scenario, real GDP growth could be more sharply affected.

Types of alliance opportunities

Innovation: generate new product ideas; accelerate commercialization while reducing associated risks—for example, Pepsi's joint venture with Starbucks to create line of ready-to-drink coffee products including Frappucino

Extension: enter new channels, reach new customer segments—for example, Coca-Cola's bottled-water-distribution partnership with Danone to reach both higher- and lower-priced market segments

Geographic expansion: enter new markets or improve existing international operations using partner's local assets—for example, General Mills' joint venture with Nestlé to market breakfast cereal outside North America

Performance improvement: improve efficiency, trim operating costs and capital requirements through outsourcing, 'virtual sale,' and other creative structures—for example, ConAgra Foods' deal to put its meat-processing plants into joint venture with Hicks, Muse, Tate & Furst in exchange for cash and long-term supply agreements

Types of alliance opportunities leveraged	Average TRS,[1] 1998–2002	Number of companies in sample	Number of alliances announced, 1998–2002
4	4%	12	309
3	5%	12	139
2	–8%	19	96
1	–18%	23	78
0	–20%	11	0

[1] Total returns to shareholders.
Source: Compustat; McKinsey proprietary consumer-packaged-goods alliances research

Some barriers to standardized international marketing

Obstacles to uniformity	Marketing ingredients: *Product*	*Price*	*Distribution*	*Promotion*
Economic factors	Varied income levels	Varied income levels	Different retail structures	Media availability
Cultural factors	Consumer tastes and habits	Price negotiating habit	Shopping habits	Language, attitude differences
Competitive factors	Nature of existing products	Competitors' costs and prices	Competitors' monopoly of channels	Competitors' budgets, appeals
Legal factors	Product regulations	Price controls	Restrictions on distribution	Advertising and media restrictions

Source: From Vern Terpstra, *International Dimensions of Marketing*

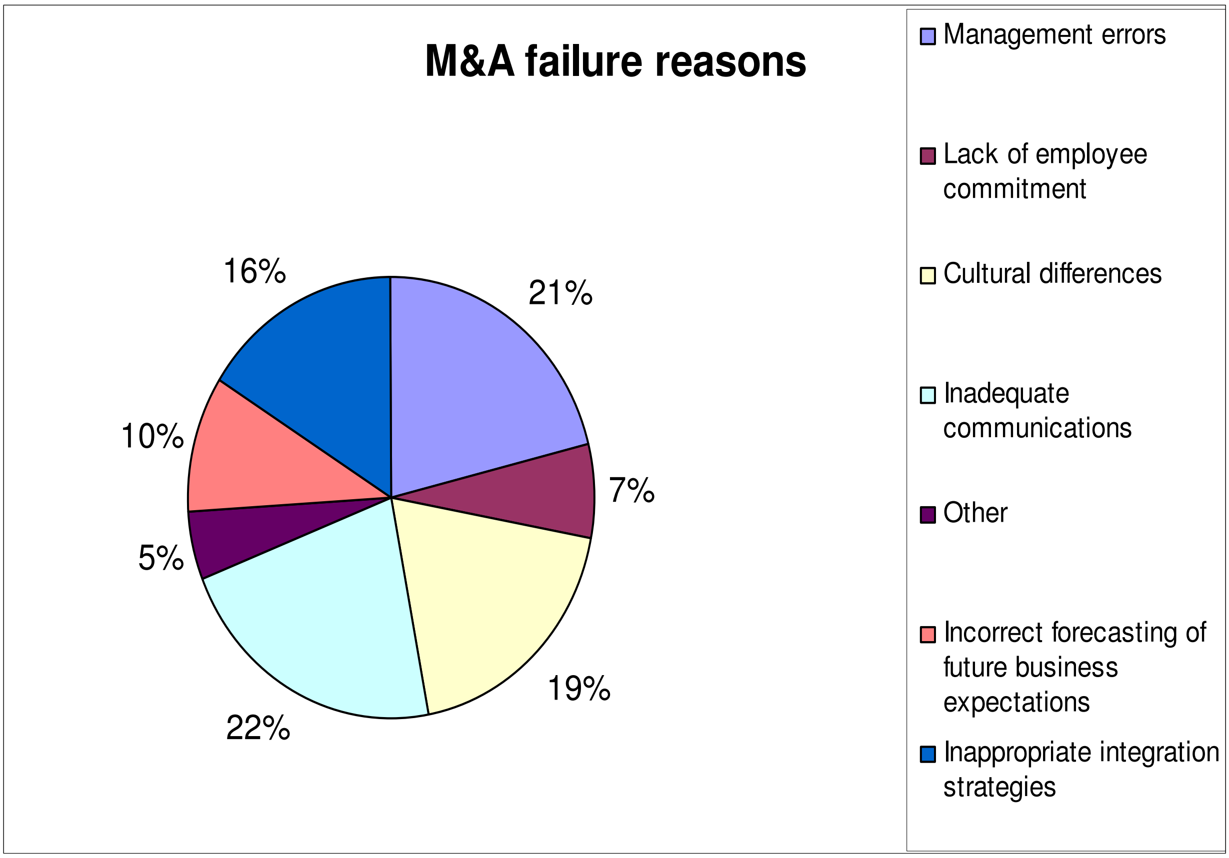


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TABLE 5
Priorities in Selecting Alliance Partners by Market Type[a]

Importance/Priority[b]	Emerging Market Firms	Developed Market Firms
Important and differential priority	(1) Financial assets (14) Technical capabilities (7) Intangible assets (10) Willingness to share expertise (9) Capability for quality	(3) Unique competencies (6) Market knowledge/access (12) Previous alliance experience (5) Cost of alternatives (4) Industry attractiveness (13) Special skills to learn from partner
Important and similar priority	(2) Complementary capabilities (8) Managerial capabilities	(2) Complementary capabilities (8) Managerial capabilities
Important but differentially lower priority	(3) Unique competencies (4) Industry attractiveness (6) Market knowledge/access (12) Previous alliance experience (13) Special skills to learn from partner	(1) Financial assets (7) Intangible assets (9) Capability for quality (10) Willingness to share expertise
Unimportant	(5) Cost of alternatives (11) Partner's ability to acquire skills	(11) Partner's ability to acquire skills (14) Technical capabilities

[a] The rank order for each criterion in the corresponding model in Table 3 is in parentheses.
[b] Importance indicates a statistically significant coefficient; priority indicates statistically different (stronger) coefficients.

Appendix O: News gathered

Kraft Foods: New LU cookie unit will generate 15-20% of turnover
Mihaela Popescu **27.03.2008**
Kraft Foods Romania is set to change the structure of its domestic portfolio with the creation of the LU cookies division, while forecast sales are expected to account for 5-7% of this year's turnover.
The company intends to dominate the Romanian cookies market with LU cookies, after it became No. 1 on the chocolate and coffee markets. "In the coming years, we also want to become market leaders on the cookies segment, which, in 2008, will account for around 5-7% of the company's turnover. In the future, cookies could make up 15-20% of Kraft Foods' sales on the Romanian market," said Peter M?ller, General Manager of Kraft Foods Romania.
Kraft, one of the leading global food producers, has taken over the cookie division of French group Danone (with brands such as LU and Prince), in an international transaction. The acquisition was concluded last year, and amounted to 5.3 billion euros. At the time of the takeover, Kraft estimated the cookie division would become the group's largest global business, and account for 20% of overall revenues.
The cookies division will, as of this year, be the third largest unit of Kraft's local subsidiary, after the chocolate and coffee units, but ahead of the Philadelphia cream cheese unit. M?ller added that LU cookies suited the company's products portfolio better than cream cheese. The company will also start a promotional campaign in April for the new cookies. Next month, the way LU cookies are distributed on the local market will change, when they are integrated into the distribution system of Kraft Foods. In the past, LU cookies have been imported and distributed in Romania by distributor Consumer Product Network, with turnover worth around 40 million euros in 2007.
"The Romanian cookie market has a high growth potential. If we look at volumes, we can say it is at the same level as the chocolate market, because bulk sales account for a large share of total sales. In terms of sales per capita, they represent half the average sales in countries such as Croatia or Serbia," added M?ller.
Kraft is in direct competition with companies such as ?lker (Turkey), Supreme Chocolat, Rostar, as well as with importers that primarily operate on the premium segment, on a cookie market that is currently estimated at several tens of millions of euros.

Source: http://www.zf.ro/zf-english/kraft-foods-new-lu-cookie-unit-will-generate-15-20-of-turnover-3099042/

Ziarul Financiar **18.06.2008**
Dobrogea Grup, one of the main bakery producers on the local market, estimates a 12% sales increase this year, which would bring the company's turnover to over 67 million euros. The producer ended last year with a 60 million-euro turnover. "For this year, we forecast a 12% increase on 2007, amid a consolidation of our brands and an increase in the share of exports," said Otilia Stanciu, PR manager of Dobrogea Grup. The company exports both to EU markets and to the US. The group is present on the market with the Dobrogea flour brand, which holds 29% of the market, according to company data, whilst the group also operates on market of bread and bakery varieties, biscuits, breakfast cereals and frozen products. According to company data, Dobrogea is among the top four bakery producers in Romania and holds a 4% market share. The company's main rivals on this segment are Vel Pitar, Boromir and Titan. The company's is held by several individual shareholders.

Source: http://www.zf.ro/zf-english/bakery-producer-dobrogea-grup-posts-67m-euros-in-sales-3088987/

Bron: http://www.confectionerynews.com/news/ng.asp?id=80137
28 Sept 2007

Cadbury continues its Eastern Europe boom
Cadbury Schweppes plans to invest €270m in a new factory in Eastern Europe, according to local papers.

The Polish paper Puls Biznesu said insiders claim the confectionery giant will invest in a sweets factory in either Poland or Slovakia.

Eastern Europe is a target market for many food manufacturers due to fast growth predicted in the region as consumers spend more on luxury products.

Cadbury will begin production at its €130m gum factory in Poland next year, however companies such as Barry Callebaut and Mars are also entering into this confectionery market.

Polish confectionery firm Gryf was bought by Cemoi in August in order to grab a piece of the growing demand.

Cadbury currently holds the top position in the Polish chocolate market following its £49m (€73m) acquisition of Wedel in 1999. This follows its acquisition last week of Romania's second largest confectionery company Kandia-Excelent.

Bron: http://www.confectionerynews.com/news/ng.asp?id=58956-nestl-expands-romanian
24 Maart 2005
Nestlé expands Romanian biscuit production

24-Mar-2005 - Swiss food giant Nestlé has boosted its Romanian production capacity with the installation of a new chocolate wafer production line at its Timisoara-based unit, Joe. The investment reflects the rapid growth of the Romanian snack market, *reports Bogdan Tudorache*.
Nestlé sales in Romania grew by some 60 per cent to around €62 million last year, helped by the continued importance of the biscuit and confectionery sectors there. The Romanian wafers market is worth some €40 million a year (Nestlé has around 35-40 per cent of the market), while the wider confectionery market is valued at around €150 million.
The Timisoara plant accounts for approximately 50 per cent of Nestlé Romania's total production, and also produces wafers for export to Bulgaria, Hungary, the Czech Republic, Slovakia and the countries of FYROM.
"We have invested an undisclosed amount in this new production line and know-how in a bid to expand sales of our Joe Mix line, a mini-wafer sold mainly on the domestic market," Paul Nuber, managing director of Nestlé Romania, told **CEE-foodindustry.com**.
Nestlé said last year that it planned to invest around €3.5 million in its Romanian business between 2005 and 2007, and while Nuber said that the latest investment was not particularly great in terms of value, it was nonetheless important to help the company increase its share of the mini wafer market.

"About 20 per cent of the Timisoara factory production is exported, mainly under the Joe Milky and Joe Crunch brands. But the growth is coming mainly on the local market," he said. Nestlé bought the Joe company - a locally owned, greenfield plant built in the mid-1990s- from a Romanian entrepreneur in 2002, and since then has invested more than €10 million in production and marekting. Nestlé has about 350 employees in Timisoara and about 200 in Bucharest.

The success of the Joe Mix brand in particular can be put down to the snacking habits of the Romanian consumers. They are the biggest consumer of roasted sunflower seeds in Europe, and the popularity of this traditional Romanian snack has helped companies develop strong sales of more modern snack poducts.

Alka is the biggest producer of sunflower seed snacks, and is now also the second-largest supplier of wafers, with around 25-30 per cent of the market, just behind Nestlé. In third place is the Netty brand, owned by the local company European Drinks, which previously revolutionised the low-end carbonated drinks market with the launch of the Frutti-fresh brand in the mid-1990s.

Although food exports have been badly hit by the devaluation of the euro against the leu - since November 2004 export values have dropped by some 10 per cent - Nestlé's Nuber said that his company had not seen any decline in value sales as a result of the major improvement in domestic sales.

"Of course, we have lost some profitability from out exports, but this was not significant as our major production costs are in euros," Nuber explained.

The leu has increased in value by some 17 per cent against the euro since November 2004 following the decision of the Romanian central bank to comply with EU recommendations and stop intervening on the currency markets to keep the exchange rate stable.

Food, however, accounts for just 3 per cent of Romania's exports, and the sector has been for the most part unaffected by the depreciation of the euro. Only companies buying incgredients in lei were likely to be hit.

Nestle: boost in sales after EU accession

In the first quarter of 2007 Nestle saw a sales increase of 40 per cent, partly due to promotions.But Paul Nuber, general manager of Nestle Romania, sees a smaller increase in the second quarter.He believes quality and brand awareness is becoming more important for Romanian consumers. This means that brand positioning will be a crucial factor in the future success of products. “You can bring in big volume products as you can bring in small volume products, you just have to place them in the right place or else you are wasting time and money,” he adds. After entering the ice cream business by purchasing Greek-owned Delta, which had a factory in Bucharest, at the end of 2005, the brand Delta-Nestle will go through a gradual process until the Delta name will become obsolete.

Also Nestle Romania, in partnership with Greek Elmec Group, recently introduced a performance nutrition product called Powerbar. The product will be imported by Elmec from Germany and then distributed in Romania. “It is not mass distribution, it’s specialised, so it’s better to work with somebody who has the know how than do it ourselves because the market is not enormous but there are a lot of consumers who know the brand,” says Nestle is investing in increasing its production capacity at Timisoara, where it makes local wafer brand Joe.

Nestle

Food and beverage producer

2006 turnover: 120 million Euro

Employees: 600

Nestlé Romania invests in wafers
16-Jun-2004 - Nestlé Romania has confirmed that it is to invest a further €3.5 million in its factory in Timisoara, as the company reaffirms its ambitions to dominate the all-important wafer market in the region.
"The money will be invested during the course of the next two to three years in an effort to meet rising demand for our products," said Nestlé Romania plant manager Klara Wrenger speaking to **CeeFoodIndustry.com**. *"It will be invested into a number of areas, including new technology, equipment and facilities for the plant."*
Located approximately 400km from the country's capital, Bucharest, the Timisoara plant currently produces Joe brand wafers and coffee sticks - widely used in the food industry for single serve coffee. However production has tended to concentrate on the Joe wafers and at the start of this year Nestlé Romania launched a Joe brand dessert to compliment the biscuits.
In total the company has now invested €10 million in the factory, which it bought at the beginning of 2000. The company says that further launches will be made in the course of the year, all related to the Joe brand name.
Currently the wafer market in Romania is valued at €40 million, of which the company holds a third with its Joe brand. Nestlé's production at the Timisoara plant, which concentrates largely on the Joe brand, is said to top 12,000 tons annually, equivalent to between €25-30 million. However, the company says that 20 per cent of its sales are focused on the export market.
"Generally we are exporting the wafers to neighbouring countries in Central Europe - specifically Hungary, Czech Republic and Bulgaria," said Wrenger. *"The company is hoping to increase production to meet both the domestic and export markets, which are both very important to growth."*
Currently the Timisoara plant accounts for approximately 50 per cent of Nestlé Romania's total production, but the company is expecting that continued demand for its Joe brand products will be lead to sales increases of up to 40 per cent during the course of 2004. Last year the division posted a turnover of €39 million, 30 per cent up on the previous year's figure.

11-Jun-2007 **- Cadbury Schweppes has bought a 93 per cent stake in Romanian sweets maker Kandia-Excelent, from Kandia, a private equity investment holding company managed by Meinl Bank.**

The move is part of a series of emerging-market acquisitions and reshuffles as the company tries to improve profit margins, particularly in its confectionery divisions.

"The purchase of Kandia-Excelent is aligned with our strategy of pursuing bolt-on acquisitions to further strengthen our confectionery platform," said Todd Stitzer, Cadbury's chief executive officer.

Kandia-Excelent is the second largest confectionery company in Romania, with a 20 per cent market share in total confectionery, according to the report. It has a number two position in the chocolate market with a 24 per cent share, and a leading position in candy with a 32 per cent share.

It has been producing chocolate since 1890, and has predicted 2007 sales of 50m, thanks to the popularity of products such as Kandia, Laura and Anda.

Stitzer said that Cadbury hope to build on Kandia-Excelent's established success, adding, *"this* *acquisition gives us an exciting opportunity to further develop their leading brands and leverage their strong routes to market."*

The purchase of Kandia-Excelent follows hot on the heels of the acquisition of Turkish Intergum, announced only one day earlier. Intergum is one of the world's top five chewing gum manufacturers, supplying several international supermarket chains within the EU and the US.

Other restructuring plans announced this year include the separation of Cadbury's confectionery and Americas beverages businesses, announced in March.

Last week, Cadbury sold businesses in Australia, Italy and Canada, and split operations in Europe, Middle East and Africa into two areas of responsibility.

This will result in the dismissal of nine senior executives, including Simon Baldry, who was in charge of the UK confectionery business during the salmonella scandal in June 2006.

Nicosia / CY. (zrp) Cyprus´ leading bakery chain, A. Zorbas + Sons Public Ltd. intends to expand its branch network into Romania, with the opening of up to five new

bakeries-confectioneries. The cost of the investment is estimated at three million Euro. Additionally, in its effort to increase its local market share (currently standing at 35 percent), the company aims to add three new retail shops within 2008 to its existing 50 retail branch network. Long term, additional revenues will reach 1,5 million Euro with an additional net profit of 200.000 to 300.000 Euro annually (source).

Bucharest / RO. (wib) The Romanian market of milling and baking is estimated at some two billion EUR — with Vel Pitar, Titan, Boromir and Dobrogea as main players. The companies estimate for this year a growth of at least ten percent of their businesses. The cumulated value of these companies going to attain some 437 million EUR, «FinanciaRul» says.

Vel Pitar SA, the biggest player in the filed, is targeting a turnover of 150 million EUR compared to 130 million EUR last year, says FinanciaRul. The Bucharest-based group holds bread factories in ten counties and in Bucharest, having more than 170 own stores. In the first quarter of 2008, Vel Pitar business advanced by some 86 percent from the similar period of last year, to 36,7 million EUR.

Bakery producer Titan, based in Bucharest, estimates 47 percent growth in business this year, up to 100 million EUR and 18,8 million EUR in profit, five times higher year-on-year, according to a release sent to the Bucharest Stock Exchange (BVB), where the company is listed. Titan is a subsidiary of the Austrian LLI Euromills GmbH under the umbrella of Leipnik Lundenburger Invest (LLI).

Valcea-based Boromir Ind. SRL hopes to attain 121 million EUR in turnover compared to 110 million EUR last year — the Romanian Business Standard says. Boromir was founded 1994 and its main activities are baking and milling. The company controls almost ten percent of the milling activity all over Romania.

Leader on the flour segment, Dobrogea Group, is targeting a turnover of 67 million EUR,

twelve percent higher than 2007, following the brands consolidation and expansion on new markets. In 2006 the group had 1'250 employees in twelve production units located on two industrial platforms in Constanta and the main urban communities in Romania. In 2006 Dobrogea had a portfolio of over 200 products, 94 brands, eight inventions, 168 industrial models and 14 industrial drawings. The group produces over 100 types of bread as well as biscuits, breakfast cereals or pastry products. Established over 40 years ago, Dobrogea was privatized in 1995 and became a 100 percent Romanian private company.
Giurgiu / RO. (zf) Milling and bakery producer Farinsan Company posted a seven-million-euro turnover in the first six months of the year, up 70 percent against the same time last year. «This progression was primarily prompted by a rise in the price of raw materials, as well as by the constant diversification of our product range. We are hoping to maintain the same turnover growth rate until the end of the year», said general manager Ioan Vladu to «Ziarul Financiar».

Farinsan from southern Romania posted an approximately eleven-million-euro turnover last year, up by around 48 percent against the previous year; therefore exceeding initial estimates, which stood at nine million euro. If the growth rate announced by the company is met, Farinsan could see a business worth approximately 18 million euro this year. «The fact that we exceeded our estimates was related to the over one million-euro investments required to modernise the bread plant including the introduction of new production lines, the setting up of a lab and an increase in the milling capacity, by around ten to twelve percent, to 200 tonnes a day», Vladu says in Giurgiu.

As a result of an increase in the price of wheat, company representatives increased the price of flour from 0,77 RON per kilo to 0,85 RON per kilo. «The prices will continue to rise this year, depending on the cost of wheat», the general manager saiys. According to players in the milling and bakery industry, this year the price per kilo of wheat ranges from 0,55 to 0,58 RON, double last year´s level of approximately 0,33 to 0,34 RON and could reach around 0,75 to 0,8 RON per kilo by the last quarter of the year.

Farinsan does not have sufficient stocks of wheat to cover the entire year. As a result, by the end of this year, Farinsan will have to resort to importing through specialised traders. «Around 25 to 30 percent of the total raw materials required will be imported», says Ioan Vladu. According to associations in the milling and bakery industry, the halving of the wheat production, caused by the drought, will generate an increase in wheat imports to one million tonnes (Source).

Bucharest / RO. (zf) Pan Group Craiova S.A., one of the leading players in the Romanian milling and bakery industry, posted an over ten-million-EUR turnover in the first five months of the year, 25 percent more than the same time last year. «This increase has to do with our marketing and sales activities, as well as with commercial policies directed towards gaining and preserving market share», general manager Florin Busuioc told Zairul Financiar. Pan Group has conducted investments worth over two million EUR in production technology since the beginning of the year. «Our partnership with Kraft Foods has resulted in a joint investment of over 1,35 million EUR in modern technology for producing packaged cakes», said Busuioc. Pan Group ended 2007 with turnover worth 23 million EUR.

Galmopan Galati makes 30m-euro investment
Galati-based group Galmopan will invest around 30 million euros to expand the plant, which produces sugar-based products and relocate its bakery and milk processing plants, said the

company's majority shareholder, Petrica Herascu. "We will invest 15 million euros to expand our operations within the Braila Free Trade Zone, where we recently inaugurated a biscuit factory, where we will build storage facilities and introduce new lines to manufacture sugar-based products," said Herascu. Galmopan started production at the biscuit factory at the end of October, with investments worth over five million euros, from both credits and the company's own sources. The plant wasbuilt on a 28 hectare plot in the Braila Free Trade Zone, which has been leased for a 50-year period. The milling and bakery group will invest a further 15 million euros to relocate its milk processing facility and bakery in Galati, as well as its bakery in Braila, to Vladeni, which is located between the two towns, on a ten hectare plot held by the company.
Source:
http://www.zf.ro/articol_149126/galmopan_galati_makes_30m_euro_investment.html

Galmopan relocates most of production to Braila
Cristiana Groza **16.11.2006**
The Galati-based Galmopan group of firms, operating in the food industry, announced it planned to invest 5 million euros in the construction of a biscuit and sugary products plant close to Braila.
"We leased an area of 28 hectares of land in the free zone 2 Braila in order to relocate most production facilities we own in the following years," stated Doru Resmerita, the company's manager.
The first stage of this project is the construction of a biscuit plant on an area of 4,800 square metres.
The facility will have a production capacity of 60 tonnes per day to begin with.
The total value of the investments made by Galmopan during the 2006-2008 period will amount to 14 million euros.
"Given Romania's future EU integration, we had to continue the investment programme we had started in 2002," the company's manager also says.
The group, which owns Galacta dairy producer, will finalise a 5 million euro investment in the modernisation of milk processing activities by mid next year, with another 4 million euros being earmarked for the grain production.
"We want to completely cover the domestic market, but we also plan to try foreign markets," says Resmerita.
Galmopan group operates in several food industry sectors, as well as in retail and distribution. Of these, grain primary processing holds the biggest weight, contributing some 25% in annual turnover. Bakery and pastry account for 25% in total turnover together.
According to company data, bakery and pastry products are sold on the markets of Galati and Braila, where the group owns 40 outlets and holds a market share of 65%.
Dairy products and ice cream are distributed on a regional market including Galati, Braila, Tulcea, Constanta, Vrancea counties and Bucharest, while milling, sugary and flour products are distributed countrywide through the company's own distribution network.
At present, Galmopan products are sold in Real, Metro, Billa, Kaufland, G'Market, Univers'all and Primavara.
The biggest sales are derived, though, locally, in Galati and Braila counties (19%) and in the rest of Moldova region (35%).
"We permanently invest in our own product distribution, as well as in the contracts with intermediaries, so as to cover all the counties of the country, both on the segment of retail and on the key-accounts and HoReCa (hotel, restaurant and catering) segments," Resmerita mentions.
Galmopan banks on turnover worth 120 million RON (34 million euros) and gross income

worth one million euros this year. The group last year posted turnover worth 56 million RON (15.5 million euros), according to Finance Ministry data. Turnover generated in the first six months of this year revolved around 63 million RON (17.5 million euros).

Pan Group reports results behind the estimates

Pan Group Craiova, one of the top ten manufacturers operating in the milling and bakery industry estimates its turnover will increase by 10% to 25.3 million euros this year.

Pan Group derived a turnover worth 23 million euros and a profit standing at 1 million euros in 2006, results that were behind the initial estimates of 25 million euros.

"The turnover did not have the value originally estimated because of the reorganisation of the distribution system through the co-optation of approximately 40 new distributors. Other factors contributing to the estimated turnover not being achieved included the increase in our sales team, the regulations regarding wheat and sugar stocks (which included sugary products) introduced in December, and also the massive decline in the volume of bulk products, especially sweet biscuits," said Florin Busuioc, the company's commercial manager.

The results derived by PanGroup were still higher in value compared with 2005 when the Craiova-based company reported a turnover worth 22.5 million euros and a profit standing at 950,000 euros, according to data posted on the Finance Ministry's official website.

Florin Busuioc said the company's stores derived a turnover worth 17.4 million RON (4.8 million euros) in 2005.

PanGroup has recently decided to set up a new company in Craiova, namely Neris Food, which will operate in the FMCG industry.

"Neris Food is a project that Pan Group will develop throughout 2007. The investments made so far in this company are minimal, aimed at the establishment of the company and the compliance with the legal operating norms," explained Florin Busuioc.

PanGroup owns a chain of 43 stores, with a total sales area of 3,500 square metres.

"The stores' location was chosen especially to cover all areas of the city including the outskirts," explained Busuioc. Pan Group is currently selling over 5,000 products. The Dolj-based company intends to complete the modernisation of its store network by 2007.

Alka enters cake market

Alka, one of the leading companies on the sweets market, has entered the cake segment through a one million-euro investment in production. "The investment could reach 3 million euros by the end of 2007, depending on any increases in production capacity and the launch of new varieties," stated Amir Krenzia, general manager of the Alka group. The company paid 0.5 million euros for two production lines that it purchased from abroad, capable of producing almost 1,000 tonnes of cakes per year. The remaining 0.6 million euros went into creating a recipe and devising the packaging, as well as into market surveys. The total volume of cakes produced this year is estimated at some 80 tonnes. The new products will be positioned on the luxury segment of the market, targeting female consumers. The increase in company sales witnessed last year also continued into the first nine months of this year, taking company turnover to 24 million euros, a 20% increase against the same period of 2005, according to Krenzia's statements. Source: http://www.zf.ro/cautare/alka_group.html

Mihaela Popescu 23.04.2008

a A

Alka, a manufacturer of sweets and snacks, has expanded its production capacities for dried fruit and nuts, after the company acquired equipment from Strauss, and this year will also rely on exports.

Alka sales on foreign markets could amount to 3 million euros this year and account for around 6% of turnover. The company hopes to double its export level this year, after having registered a similar growth rate in 2007.
Amir Krenzia, general manager of Alka, says the company's best-selling exports are dried fruit and nuts, a segment on which the manufacturer holds the top position domestically with a 30% market share.
"We want to have an even more active presence on the market of health & diet products, which is why we will continue to expand with a larger range of dried fruit and nut products," explains Krenzia. On this segment, the company recently reached a monthly production capacity of 1,000 tonnes, after it acquired two machines for dry roasting peanuts from Strauss, the producer of Elita Coffee. Krenzia has not revealed the sum paid, but the figure could be just over 0.5 million euros.
Strauss announced it would leave the dried fruit market this year, on which it has been present with the Delis brand since 2004, after in 2007, it sold the biscuit brand Merlin to Dobrogea Grup. Coffee sales account for the biggest share in the Israeli company.
Alka's manager sees a great deal of potential for the dried fruit and nuts market, on which it competes with local manufacturers such as Star Foods, Standard Snacks, as well as importers such as Mogyi (from Hungary).
"Last year, we registered a significant 35% increase on the dried fruit and nuts market," says Krenzia.
Wafers and dried fruit currently hold the biggest share of Alka's sales. The snacks producer, which is controlled by the Krenzia family, is a local company.
Last year, Alka opened a branch in Hungary, its first outside Romania. However, Krenzia believes Hungary is an extremely challenging market for Romanian companies.
"There is a slight reticence in Hungary for products from the East, and, at first glance, the market appears unappealing due to its size," Krenzia adds.