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## REBORN OF ROMANIAN BRANDS BY E-COMMERCE

*Dan-Marius VOICILAȘ<sup>1</sup>*

### Summary

*The paper analyses the evolution of the Romanian traditional brands during the last 20 years. We started the analysis with the presentation of the most famous Romanian brands during the communist period. Then, we presented the transition of the traditional brands to the market economy, under the influence of structural transformations in economy, globalization and strong competition on the market.*

*Some firms chose special strategies to enter on market or extend their share on market. Among them, the “reactivation” of old brands, from communist period, has an important place. The method seems to be successful and is based on the psychological implications generated by certain products in the nostalgic consumers’ minds.*

*The analysis is close correlated with the evolution of the Internet and E-commerce. The new techniques of commercialization of the goods comprise the Internet use and promotion by Internet. That is why we will also present the impact of the Romanian traditional brands on Internet and E-commerce.*

*We intend to know if is possible for old brands to compete on the market, if there is enough capacity for the entrepreneurs to stand out on the market, to protect and promote their products in the tough competition environment, subject to globalization, regardless of the fact that they take over an already consecrated mark or create a new one.*

**Key words:** Brands, E-commerce, Strategies, Romania

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## **Introduction**

The present paper attempts to highlight the main role played by the internet and electronic commerce in particular in the marketing strategy of the firms, as well as the importance that should be attached to the registered marks and consumers' awareness, in the international competition.

It is quite obvious that the approached subject is of actuality, mainly as a result of the current context, in which the globalization phenomenon is getting more intense and the competition on the world market is increasing. In this conjuncture, in order to survive on the market or to get the supremacy, any marketing strategy is welcome, as long as it observes the current legislation. That is why the strategy chosen by certain firms, to reactivate the older marks, which temporarily disappeared from the market as a result of the new economic conditions and conjuncture, is not only interesting but also efficient, as it builds on the preferences of a certain segment of consumers for certain products that had penetrated into the consumers' behaviour many years ago.

The phenomenon is not singular for Romania, the same strategy being adopted in other former communist countries as well, with their "traditional" products from the communist time. The method seems to be successful and is based on the psychological implications generated by certain products in the nostalgic consumers' minds; in this case this means a well-defined market niche, which exists regardless of the country, and which, if adequately exploited, can bring great benefits and in the future can create new segments of consumers even among the younger people or among the people who do not fall into the category of the nostalgic. It is from this idea that we started in the development of the present paper.

In this psychological market game, the mark has a main role. In our analysis we desired to evoke the trajectory of the main Romanian marks from the communist period on the free competition market. This analysis used the data that were periodically published by the Romanian newspaper "Adevărul", following the surveys and studies conducted by Gemius and Evensys (popularity tops of the fourth edition of the study Leading Brands by Romanian Users 2011), as well as other specialty works, the studies made by Alexander Dolgin in particular.

## **Trends in E-commerce**

Technology is perceived as an important catalyst of the commercial activity restructuring and of the company development strategy in the business world nowadays. The companies activating in the most diverse fields change their business operation modality so as to benefit from the power of the new technologies. The growth of Internet and Intranet networks revolutionized the communication between companies and their staff, business partners or customers.

In recent times, we have witnessed a proliferation of commercial applications that benefit from the public operation standards that Internet provides. These applications cumulate the Internet access with the transaction systems, databases or automation of commercial processes.

For many companies, the first incursion into the electronic commerce world consists in being present on World Wide Web, in order to publish their job, products or commercial policy offer. Many times the sites are subsequently developed in order to integrate other activities of companies, for instance the processing of orders.

E-commerce makes it possible for companies to improve their relations with customers, suppliers and business partners. The most used implementations refer to on-line shopping. On-line shopping represents one of the fastest growing markets in modern economy.

At present, the virtual shop windows enable people to buy everything that can be supplied by the conventional shops, in fact customers can order the product directly from producers, which mean the elimination of intermediaries and costs related to retail sale from conventional shops.

A great number of companies save a lot of money from the sale and production activities from the implementation of solutions provided by e-commerce. The friendly use of navigation software programs and the multimedia character of the Web pages content largely attracted the public. The growth of interest in Web of people who have access to Internet entailed Internet development itself.

### **Romanian brands in the communist period**

There were a few products that before 1989 were a true symbol of the communist industrial production. They were omnipresent and all Romanians used them. Some of them were successfully exported, mainly in the former socialist countries. We shall next briefly present some of the most representative marks, in the communist period, in food industry.

The chocolate bars named "*Rom*" began their history in the year 1895, Kandia at that date. The activity was carried out by only six employees, in a sweets factory from Timișoara. In 1920, the producer had 300 employees, and in 1948 the factory was nationalized. The first chocolate bar, the "grandfather" of the popular *Rom*, appeared on the market in 1964. Similarly to the living standard from that period, the recipe was increasingly degraded, first milk was removed, and the rum cream was replaced by substitutes.

As regards beverages, there are a few marks that "marked" our youth for some of us. The most popular beer was "*Bucegi*". The beer "*Azuga*" was more difficult to find, being distributed on a selective basis, similarly to the beer "*Silva*", produced at Reghin. The latter went mostly to export. Besides beer, there were also some other alcoholic drinks that were famous at the time, among which the vodka "*Săniuța*" or the cognac "*Ovidiu*".

In the category of wines we would like to mention the wine “*Murfatlar*” in particular. It was the main wine found on special occasions, at weddings, christening parties, large parties. At the same time, it was “hard currency”, being treasured for “special occasions” and gifts.

“*Cico*”, “*Brifcor*” and “*Quick-Cola*” are products that those under 25 years old do not much appreciate, as they are stories. However, for the other people, they “volens-nolens” represented substitutes of the Western products, being well-known and much appreciated in Romania. The impact of these soft drinks on the market was quite strong, they remained in history an folklore; furthermore, “Brifcor” (Indigenous Soft Drink Produced with Original Romanian Concentrate) generated even conflicts between companies, and the disputes lasted in courts for years. Designed in the laboratories of the Research Institute for Fruit and Vegetables, the juice was produced throughout Romania in the ‘80s. Immediately after the long-dreamed “Coca-Cola”, “Fanta” and “Sprite” appeared on the market, the Romanians forgot about “Brifcor”.

### **Transition of “communist brands”**

#### ***International competition***

Many marks that dominated the market in the communist period could not face the shift to capitalism and were replaced in the Romanians’ preferences by imported products. Before 1989 we had no other choice: we brushed our teeth with the same tooth paste called “Cristal” or we used only “Cheia” soap.

Once they could buy products they had ever dreamt of, the Romanians they were very glad when they discovered, for the first time in dozens years, that they have several choices for the products they want. They gave up “Cico” and “Quick-Cola” for the true brand “Coca-Cola” and the tooth paste “Cristal” for “Colgate” or “Blend-a-Med”, for instance.

While many domestic “communist” brands succeeded in getting re-invented and are still on the market, others disappeared earlier or later or got under the umbrella of great multi-national companies. Thus, even though certain factories are still operating, the commodities they produce bear foreign names. For example, the factory from Craiova that manufactured automobiles “Oltcit” in the ‘80s will soon place the new “Ford B-Max” on the market. At present, the Romanians began to miss the marks that they love from the very reason that now they can no longer find them.

Let us take for example, the cigarette industry. In March 2010, the cigarette factory from Sfântu Gheorghe was closed down, and the legendary cigarettes “*Carpați*”, “*Snagov*” and “*Mărășești*” no longer exist. After 113 years of activity, the factory Covasna closed down, and the 103 employees became unemployed. In 1931, in the town Sfântul Gheorghe, the first cigarettes “Carpați” and “Mărășești” had been produced. In the ‘70s the same factory began to produce the cigarettes “Snagov”, the first Romanian filter cigarettes. In the year 2004, the National Society “Tutunul Românesc” SNTR

(Romanian Tobacco) got privatized. Galaxy Tobacco took over 53.72% of SNTR shares by a transaction worth almost 18 million USD. Practically, the new owners paid 1.6 million USD for the factory, whose debt amounted to 11 million USD and promised investments of five million USD.

Unfortunately, for the continuity of industrial development in Romania and the permanence of the Romanian marks on the market, the true emblems of the communist period had to be sold by piece, and the plants were demolished or bought by the large foreign companies, which chose to stop production and move their operations to foreign countries (as, for instance, the case from Colgate-Palmolive, which bought the factory Norveea Braşov, and then relocated the operations in Poland).

### ***Reborn of communist brands***

Either they appealed to the Romanians' nostalgia, or they built themselves a new image, several autochthonous marks present even since the communist time are still on the market nowadays. Most Romanian brands that survived during the shift to capitalism were bought by the great foreign companies.

Some of us become nostalgic when we remember the products that we used to buy in the communist regime. Many of these products could not face the competition on the free market and were lost in the face of cheaper alternatives from foreign countries. Yet when we speak about the automobile Dacia, the mattresses "Relaxa", the refrigerators "Arctic", detergent "Dero" and cosmetics "Farmec", the feeling is not the same. This happens because they are as present in our lives as they used to be in the past.

In some way or another, these autochthonous brands succeeded in getting re-invented and survived in capitalism. Furthermore, the transnational companies bought them and put them into value, as they reached the conclusion that Romanians' nostalgia can bring profit. More and more companies appeal to the past in order to sell the products that have been on the market since the communism time. With improved recipes, with no restriction with regard to ingredients and prices limits under the form of "directives", but rather imposed by production costs and competition on the market, certain autochthonous brands "flourished" after the shift to capitalism.

Others disappeared immediately after 1989, when the Romanians were happy to give up the products that they used to buy in the communism time as they had no other alternative.

For instance, the chocolate bars "Rom": in the year 2005, the group Kandia-Excelent relaunched the chocolate bar "Rom" through the campaign "Tough sensations since 1964". The publicity spots that evoke the communist period had the expected results, and Kandia, the company that kept changing its owner after 1989, still produces and sells large amounts of chocolate bars "Rom Tricolor" each year. Furthermore, in Kandia Dulce (Sweet Kandia) portfolio the sweet Măgura is still found nowadays. In the year 2007, the giant Cadbury-Schweppes bought Kandia with 100 million dollars. In

2010, in order to comply with the European Commission conditions (regarding the fusion with Kraft), Cadbury gave up the company Kandia for 40 million euro. In this way, in the year 2010, the production of “Rom” bars reached 3,500 tons, according to the general manager from Kandia.

One of the well-known beer marks from the communist period, “Azuga”, was bought by SABMiller in 2009, which is the largest beer producer in the world, for 7.1 million euro. “At the moment the mark was purchased (January 2009), the consumer studies revealed a great affinity for the mark Azuga and the desire that this mark should be available at national level, not only locally”, declared the marketing vice-president of Ursus Breweries, the SABMiller branch in Romania. “What Azuga intends now is to recall and learn from the good things that happened in the past”, he also added. Since 2009 up to the present moment, “Azuga” tripled its market share.

By an efficient management, the wine producer “Murfatlar” had a smooth transition to capitalism. “Many things changed at Murfatlar. The market share almost doubled in only five years, and the turnover was twice as high in the last two years”, the manager of the wine producer declared. Last year (2010), the table wine sales were up by 40%. The turnover of the group reached 140 million Lei, and a 45 million increase is expected in the year 2011. The brand “Murfatlar”, with everything behind it, can be easily evaluated at over 100 million euro.

“Cico”, “Brifcor” and “Quick-Cola”; beginning with the year 2006, Romaqua Group relaunched the soft drinks from the communist period: “Brifcor, the juice you longed for”, together with “Quick-Cola”. The company management staff announced from the very beginning that their main promotion strategy will be based on the Romanians’ nostalgia for the past times.

Yet the rights over the brand “Brifcor” were disputed in courts until 2010. Finally, the instance decided that the mark belongs to Consuc SA (owned by the group Trust Orizont) from Suceava, and last year this resumed the production. At present, the factory produces 1,000 tons of “Brifcor” each month, but they hope to reach the maximum capacity of 3,000 tons soon, as the marketing director of Trust Orizont declared for the newspaper “Adevărul”. Romaqua, which had under its umbrella another strong Romanian brand – “Borsec”, did not give up and still bottles and sells “Giusto-Brifcor” and “Quick-Cola”. At the end of 2010, the group also relaunched “Cico”.



### **Romanian brands and E-commerce**

In this chapter, we analyze the E-commerce with national products, named “Romanian brands”, those products well-known on the national market even since communist times and which are still present on the market. From the multitude of Romanian brands we made a selection and focused on those that are considered the most representative for us.

Thus, according to the study made by Gemius and Evensys (the popularity tops of the fourth edition of the study Leading Brands by Romanian Users 2011), the criteria that define the on-line presence of a certain brand are the following, in the order of importance: information on its products/services and contact data available on-line (42%), its on-line image (web site, banners, graphics, design) (41%), possibility for on net buying its products or services (31%), on-line communication with customers by several modalities (27%), intensive on-line promotion (25%), discussion blogs, social networking, forums (14%).

In the Romanians’ vision, a successful brand is defined by: high quality products/services (66%), the fact that it is well-known (37%), it has products/services that are sold very well (32%), is differentiated from the other brands (23%), its products are innovative (20%), it has a multitude of fans (5%).

According to the Gemius and Evensys study, the most present Romanian brands on Internet, in 2011, are:

1. Dacia - 33% (29.6% in 2010)
2. BCR - 9.5% (9.6% in 2010)
3. eMag - 5.8% (3.5% in 2010)
4. Ursus - 5.6% (4.1% in 2010)
5. Borsec - 5.6% (2.0% in 2010)
6. Petrom - 4.6% (7.3% in 2010)
7. ProTv - 4.4% (1.2% in 2010)
8. Dorna - 3.1% (2.0% in 2010)
9. BRD - 2.8% (2.6% in 2010)
10. Chocolate bar Rom - 2.7% (0.4% in 2010)

We used italic words for the Romanian agri-food products most present on Internet. Except the product “Chocolate bar Rom”, the rest are beverages, old brands, which “survived” on the global market. We underline that their presence on the market is increasing year by year.



According to the same study, the most reliable Romanian brands, in 2011, are:

1. Dacia - 26.5% (27.2% in 2010)
2. Borsec - 7.3% (4.9% in 2010)
3. BCR - 7.2% (7.4% in 2010)
4. Ursus - 5.1% (3.3% in 2010)
5. Petrom - 4.1% (5.1% in 2010)
6. Dorna - 3.9% (4.4% in 2010)
7. Chocolate bar Rom - 3.4% (0.9% in 2010)
8. Farmec - 3.4% (1.9% in 2010)
9. Gervital - 3.1% (2.2% in 2010)
10. ProTv - 3.0% (0.8% in 2010)

In the top we can observe almost the same brands like in previous, but the ranks are different. The agri-food products, present in the classification, are the same: “Borsec” – mineral water, “Ursus” – beer, “Dorna” – milk and dairy, “Chocolate bar Rom” – chocolate. In the same time, we want to highlight that the reliability of these brands is bigger and bigger (except “Dorna”).

Having in view the same study mentioned above and taking into account the popularity of the Romanian brands, the most popular, in 2011, are:

1. Dacia - 30% (32.8% in 2010)
2. Chocolate bar Rom - 8% (3.5% in 2010)
3. Ursus - 7.3% (5.6% in 2010)
4. Borsec - 5.9% (3.7% in 2010)
5. BCR - 5.5% (4.5% in 2010)
6. Petrom - 4.5% (5.4% in 2010)
7. Dorna - 3.8% (2.7% in 2010)
8. Cotnari - 3.5% (2.2% in 2010)
9. Napolact - 3.4% (2.6% in 2010)
10. Poiana - 3.3% (3.6% in 2010)

Compared with the first two classifications, the last contains much more agri-food products, beside the products mentioned before we meet wine “Cotnari”, milk and dairy “Napolact” and chocolate “Poiana”. They are most popular year by year (except “Poiana”).

From the three classifications presented we can conclude that there is a close connection between the popularity, the presence on the market and the reliability of the consumers in a brand. Four products are present in all three classifications: Chocolate bar “Rom”, beer “Ursus”, mineral water “Borsec” and milk and dairy “Dorna”. Obvious, the popularity among consumers, which comes during communist period, made possible the nowadays commercialization and intensive presence on the Internet and market. It was like a “special recipe” for some owners of traditional brands who re-activated them and make profit based on the psychological aspects of the marketing. Of course, the media and especially Internet make it possible having in view the impact and utilities among consumers, most of them from young generation. E-commerce is growing and growing very fast, the interference with modern life style is obvious and will have a bigger influence on the future way of living and consume.

### **Conclusions**

We shall briefly present below a few conclusions than can be drawn from the paper presented.

It is without doubt that the protection of own products is a must for the safety and peaceful development of business. While in the communist period the brands were strictly regulated by the legislation into effect at that date, and as a result of the absence of private entrepreneurs there were no disputes and conflicts between the producers, the state being the only owner of trademarks, after 1990, with the emergence of the new private firms, the activity in this field has significantly grown.

After the completion, updating and transposition of the EU legislation, the well-defined legal framework contributed to market stability and market competition in normal, fair and competitive terms. In this very dynamic context, the old marks, symbols of consumption in the communist period, were reactivated, making use of the the psychological impact that these have on a certain population segment. The selected strategies were successful and we consider that this reactivation is welcome and it highlights our national identity and which also refers to the consumer behaviour. Even though the owners of the former state companies have been changing in the last 20 years, the new owners, some of them foreign entities, who at the moment they bought the mark did not know in detail the impact of old marks upon consumers, or did not intend to use them, they did reactivate these marks, registered them, protected them and successfully exploited them, having in view the fact that in general turnovers and sales obviously increased.

It is without doubt that Internet became a life style, being present in all the activity fields and in our daily life. In these conditions, the economic operators got adapted very fast and developed their business in close connection to the development of Internet. The continuous development of the electronic commerce in Romania, as well as throughout the world, since 1990, and the development of the interfaces

used and software used, fully contributed to the significant changes of consumers' behaviour that we perceive at present.

Adapted to the economic activities and present in people's homes, regardless the place where it is found, the Internet will be the main communication and information tool in the future as well, to put it briefly, it will mean knowledge. As a result, we consider that the focus on promoting the Romanian traditional products in close connection with the new breakthroughs in communication, and we here refer to Internet, is a success. That is why we consider that our approach based on this paper, by which we attempted to highlight the influences and interferences between the traditional marks and the modern commerce, is also successful.

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