NON-FOOD RETAIL SECTOR IN ROMANIA

DEMO ANALYSIS BY FRD CENTER

APRIL 2019

www.frdcenter.ro

This ***demo analysis*** is produced by **FRD Center – www.frdcenter.ro** - one of the pioneer privately owned independent market entry consulting and M&A advisory firms in Romania as a promotional free to share sample-report.

Since 2000, FRD Center offers tailor-made market research and intelligence, B2B matchmaking and M&A consulting services to foreign companies and organisations interested to enter Romania and the emerging markets in Europe as exporters, consultants, investors or joint-ventures, to relocate their operations, or to source in CE, SE and Eastern Europe.

As part of the CSR activity, FRD Center endorses the Sibiu International Theatre Festival FITS (SibFest) - www.sibfest.ro

The Sibiu International Theatre Festival is the most complex festival in Romania. Internationally, it is recognised as one of the most important performing arts festivals in Europe, alongside Edinburgh International Festival (Great Britain) and Avignon Festival (France).

Summary

General presentation

Romania is one of the most dynamic economies in the EU and one of the largest markets in Emerging Europe. With a GDP growth of between 3.8 and 7% in the recent years, Romania is currently one of the most dynamic large markets in EU28 with a population of approximately 20 million inhabitants.

Romania's economy and consumption have performed extremely well in the recent years which make it a more interesting destination for international exports and investments in retail, in general. In 2018, Euler Hermes estimates the value of the modern Romanian retail market at some 17-20 bnEUR. The consumption y-t-y growth in 2017 was over 10%.

The recent increase in purchasing power brought about significant increases in Romanian consumption, including in fashion, cosmetics and toiletries, DIY, furniture, electronics, home appliances etc. which is directly reflected in the non-food retail sector boom analysed by FRD Center in the following report.

According to FRD Center analysis based on official data from the National Institute of Statistics, the retail turnover volume of non-food products in Romania has increased as gross series by 9.4% in January 2019 compared to January 2018 and by 6.1% in 2018 compared to 2017.

In December 2018, the average net nominal earning in Romania has been 2,957 RON, up by 12.5% compared to December 2017. According to Eurostat, in June 2018 Romania posted the highest y-t-y increase of retail trade among all EU members: +7.8%. It was followed by Lithuania (+7.2%), Hungary (+6.1%) and Bulgaria (+6%).

Fashion and Shoes retail in Romania

The Romanian fashion retail industry has been growing in the recent years, reaching almost 5 bn EUR in 2018, according to an analysis by financial consultancy firm KeysFin.

Due to its rapid expansion, the Romanian fashion market attracts numerous international brands and master franchisors.

For example, **Voici La Mode Group** from Cyprus has recently brought onto the Romanian market the British fashion retailer **TopShop**, one of the largest in the world. Voice La Mode also holds the local franchise of another UK fashion group, namely Marks & Spencer.

FRD Center has been assisting international fashion retailers identify and contact at Decision Maker level local franchisors specialised in fashion and luxury brands, in order to explore synergies for introducing their brands onto the Romanian market.

According to the FRD Center analysis, some examples of the numerous international fashion and shoes retail chains operating on the Romanian market are:
H&M, Zara, Bershka, Massimo Dutti, Stradivarius, Pull & Bear, Mango, New Yorker, LC Waikiki, C&A, Colin's, CCC, Deichman, Aldo, Benvenuti, Catali, Ecco.

FRD Center has profiled below a few of them:

H&M	
Entry year in Romania:	2011
Entry method:	direct entry by H&M Group
Sales:	around 220 mEUR in 2018, +12% compared to 2017
No of stores:	56 stores

CCC	
Entry year in Romania:	2012
Entry method:	franchise (Shoe Express SRL, owned by Peeraj Brands International); subsequently, in April 2018, CCC has acquired 100% shares of Shoe Express with around 33 mEUR
Sales:	around 38 mEUR in 2016
No of stores:	62 stores, out of which seven new stores opened during April - December 2018
Expansion plans:	continuous and rapid expansion, product diversity in 2 - 3 years

Deichmann	
Entry year in Romania:	2007
Entry method:	direct entry by Deichmann Group
Sales:	around 90 mEUR in 2017, +9% compared to 2016
No of stores:	96 stores

Among the biggest Romanian fashion retailers that have expanded considerably in recent years are store chains such as Nissa, Lashez, Depot 96, Moda Aliss, Poema, Ethic, PNK Casual, Ma Dame.

According to the FRD Center analysis, some of the major fashion master franchisers operating in Romania are:

Distinto Boutique has the franchise in Romania for the following brands: Brunello Cucinelli (fashion), Canali (fashion), Le Silla (footwear and bags), Casadei (footwear). It has one Brunello Cucinelli store (opened in 2012), one Canali store, one Le Silla store (opened in 2014) and one Casadei store, all located on a luxury road in Bucharest (Calea Dorobantilor).
Furthermore, the company has one multibrand Distinto store and one Distinto Couture premium multibrand store, located on Calea Dorobantilor in Bucharest.

Peeraj Brands International, part of Peeraj Group based in UAE, is the most powerful franchise fashion player in Romania. It has been established in Romania in 2006.
The company's growth in Romania has been consistent, largely through franchise of reputed international fashion, footwear and lifestyle brands.
The first brand brought by Peeraj in Romania has been s.Oliver, by opening a store in a mall in Bucharest - subsequently, Peeraj has decided to close the store.
Currently, Peeraj has the franchise for the following brands in Romania: A/X Armani Exchange (fashion), Emporio Armani (fashion), Boggi (fashion), MAX&Co (fashion), Pimkie (fashion), Piazza Italia (fashion), Skechers (fashion), OVS Kids (children fashion), Geox (footwear, clothing and accessories), Women'secret (corsetry and lingerie), Swarovski (jewelry). Furthermore, Peeraj has the Topsellers multibrand stores.
Peeraj has a network of over 90 stores opened in Romania in the franchise system and targets new openings, both for brands already in portfolio and for new brands.

Founded in 2009, **Unic Brands** has brought the Guess and Liu Jo franchises in Romania. It operates eight Guess fashion stores located in shopping centers in various cities in Romania. Furthermore, it has three Liu Jo stores, selling clothing and accessories, located in malls in Bucharest and Iasi. The first Liu Jo store in Romania has been opened in 2015.

LPP Romania Fashion has the franchise in Romania for the following fashion brands: Reserved, Mohito, Cropp, Sinsay, House.
It has 12 Reserved stores, 7 Mohito stores, 7 Sinsay stores, 2 House stores. The stores are located in shopping centres in various cities in Romania.
LPP has launched the first Reserved store in Romania in 2008 and the first Mohito store in 2014.

With a presence of over 20 years on the Romanian retail market, **Solmar Grup** is a major franchise fashion player in Romania. The first brand brought by the company in Romania has been Lee Wrangler in 1996.
Currently, Solmar has the franchise for various brands in Romania: Karen Millen (fashion), Max Mara Weekend (fashion), Pinko (fashion), Marina Rinaldi (fashion), Desigual (fashion), Yamamay (underwear clothing and swimwear), Parfois (bags and accessories).
Solmar has a network of over 20 stores in various cities in Romania. On medium and long term, the company targets to expand its presence in Romania, by opening new stores.

Romanian Beauty and Cosmetics retail market

The Romanian market of beauty products and cosmetics is estimated at 1.2 bnEUR. At regional level, the 2018 sales of perfumes, make-up and care products in Czech Republic, Hungary, Romania, Bulgaria and Slovakia are estimated at almost 5.2 bnEUR, according to PMR.

The market has registered an advance of 4.5% y-t-y and continues to expand, based on imported brands as well as locally produced ones.

L'Oréal Romania, the second most important player in the local cosmetics industry, reaches a network of 12 own stores with the recent opening of a Kiehl's location in Timisoara, western Romania.
L'Oréal Romania ended 2017 with a turnover of 369.5 mRON, up 17% compared to 2016, respectively a net profit of 33.9 mRON.

To answer the increasing market demand for beauty and cosmetic products, Kaufland Romania recently inaugurated in Bucharest the first beauty shop of the international network. Named K Beauty, it is located in the shopping gallery next to the food court area and has a sales area of over 13 square meters. In addition to accessing a wide range of cosmetics makeup and perfumery, the advantage of the new beauty shop is that here customers can call on qualified consultants for personalized advice according to their needs.
K Beauty is a self-contained beauty boutique, equipped with a cash register to make it quicker to buy. The make-up products available in the K Beauty shop come from

the brands L'Oréal, Revlon, Bourjois, Rimmel and Maybelline, and perfume brands such as Burberry, Calvin Klein, Hugo Boss, Dolce & Gabbana, Escada, Issey Miyake, Joop, Gucci, Mont Blanc, Cerruti, etc. The makeup category includes more than 800 items, and perfume, about 70.

According to the FRD Center research, some of the beauty retail chains operating on the Romanian market are: Sephora, Douglas, dm, Beautik, D&P Perfumum, Kendra, Inglot, Marionnaud, Melkior

FRD Center has profiled below a few of them:

Sephora	
Entry year in Romania:	2000
Entry method:	franchise (Sephora Marinopoulos)
Sales:	50 mEUR in 2017, +18% compared to 2016
No of stores:	32 stores

Douglas	
Entry year in Romania:	2007
Entry method:	direct entry by Douglas Group
Sales:	around 24 mEUR in 2017, +16% compared to 2016
No of stores:	27 stores

dm	
Entry year in Romania:	2007
Entry method:	direct entry by dm Group
Sales:	67 mEUR in 2017, +20% compared to 2016
No of stores:	100 stores, out of which around 15 new stores opened in 2018
Expansion plans:	new stores with bigger surfaces and in locations with street visibility

According to RASCI, in the second quarter of 2017, the sales of dermatocosmetics on the Romanian market increased by 25% compared to the first three months of 2017. In 2016, the Romanian dermatocosmetics market reached about 50 mEUR, after an 8% increase compared to 2015.

The top five brands of dermocosmetics present on the Romanian market are Avene, Vichy (brand L'Oreal), Bioderma, Ivatherm and LaRochePosay.

Farmec, the most important Romanian cosmetics manufacturer, marked a year since the launch of its first dermocosmetics line called Gerovital H3 Derma + Premium Care through impressive results. The range registered sales of over 1.5 mEUR in just one year. The dermatocosmetics segment experienced a very good evolution last year, registering an increase of about 10%.

According to the FRD Center research, some of the pharma chains selling dermocosmetics in Romania are: *Catena, Sensiblu, Dona, Remedia, Tinos, HelpNet*

FRD Center facilitates direct contacts between foreign producers of personal care, dermocosmetics, beauty and skin care products and local specialised importer-distributors, direct buyers, beauty and pharmaceutical retail chains.

Jewellery retail market in Romania

The Romanian market of luxury jewellery recorded constant growth in the recent years, mainly due to favourable economic conditions and increasing disposable incomes of the local buyers, which led to their increasing willingness to spend money on jewellery.

Demand for luxury jewellery from the Romanian consumers is expected to continue its steady growth over the next 3-5 years.

Bucharest, the Capital city of Romania, registered a GDP per inhabitant of EUR 22,400 in 2017. The Romanian increasing high net worth population is expected to drive luxury jewellery's market growth in the medium term.

According to the FRD Center analysis, some examples of retail chains in Romania that focus on luxury jewellery are: Cellini, B&B Collection, be in time, Kultho, Pandora, splend'or, Teilor, Roberto Bravo, Bijuteria Stil, Chopard.

Some of them are profiled below:

Cellini	
Entry year in Romania:	1999
Entry method:	set up by an Italian entrepreneur
Sales:	approximately 5.3 mEUR in 2017
No of stores:	9 stores

B&B Collection is the authorised official importer-distributor on the Romanian market of over 100 international brands of luxury jewerly, watches, glasses or accessories. It operates various stores specialised in selling jewellery, watches, glasses etc: Claire's (4 stores), Swarovski (15 stores), Chopard (2 stores), KULTHO (18 stores), Splend'or (40 stores), Be in time (15 stores), B&B Collection (40 stores), Reve (1 store), Fossil (3 stores). The stores are located in shopping centres and malls.

B&B Collection	
Entry year in Romania:	1999
Entry method:	direct investment
Sales:	74 mEUR in 2017, +11% compared to 2016
No of stores:	37 stores

Pandora	
Entry year in Romania:	2009
Entry method:	franchise
Sales:	20 mEUR in 2017, +22% compared to 2016
No of stores:	27 stores

Teilor	
Entry year in Romania:	1998
Entry method:	set up by a Romanian entrepreneur
Sales:	16.6 mEUR in 2017, +56% compared to 2016
No of stores:	37 stores

In respect to costume jewellery, it continues to be quite popular in Romania. The buyers are attracted to the affordable prices and the new collections on offer every season. International fashion retailers such as Zara, H&M and Mango are key players in this category.

According to the FRD Center analysis, other very dynamic players are the costume jewellery retail chains Meli Melo Paris, Bijou Brigitte Romania, Parfois, SIX.

Electronics & Home Appliances retail market in Romania

According to GfK Temax, the Romanian durable goods market went up 13% y-t-y in 2018, reaching 3.4 bnEUR. The main driver of this growth was the telecom sector, which **went up 23%.**

The telecom market includes smart and mobile phones, phablets (smartphone with display size over 5.4 inches), headphones and wearables. ***The Romanian market of smartphones and phablets registered over 300% growth rate***.

Large appliances sales in 2018 went up nearly 12%, as a result of the positive developments of products such as: laundry dryers, +45% and dishwashers +18%. The electronics market went up 7% and was worth 539 mEUR in 2018. The IT products sales grew by almost 8% to 485 mEUR.

Full details at http://business-review.eu/business/romanian-electro-it-market-reached-eur-3-4-billion-in-2018-up-by-13-percent-196608

Who are the main players on the Romanian IT Distribution Market? How to find the relevant IT distributors in Romania?
According to the FRD Center analysis some examples of stores are: Media Galaxy, Flanco, Altex, Brand GSM, Exclusiv GSM, Mobiup, iStyle

ALTEX is a Romanian investment group born in 1992 and the market leader in electro-IT retail for over 10 years. With 116 **ALTEX and Media Galaxy** stores plus e-commerce (www.altex.ro and www.mediagalaxy.ro), and over 4000 employees, ALTEX reached in 2015 revenues of 430 million EUR.

In 2017, the group reached 719 mEUR (Altex and Media Galaxy stores) which according to the FRD Center anaysis is +20% compared to 2016.

Altex	
Entry year in Romania:	1993
Entry method:	set up by a Romanian entrepreneur
Sales:	719 mEUR (Altex and Media Galaxy stores), +20% compared to 2016
No of stores:	around 100 Altex stores

Flanco	
Entry year in Romania:	1994
Entry method:	set up by a Romanian entrepreneur
Sales:	215 mEUR in 2017, +7% compared to 2016
No of stores:	140 stores

iStyle

Entry year in Romania:	1999
Entry method:	set up by a Romanian entrepreneur
Sales:	34 mEUR in 2017, +3% compared to 2016
No of stores:	9 stores

Are you a manufacturer of electronics and home appliances looking to export to Romania or perhaps to acquire a local player and enter the market through a merger / acquisition? For the FRD Center M&A advisory services visit
http://www.frdcenter.ro/services/ma-advisory

Romanian DIY and Home Improvement retail market

The Romanian DIY market, currently estimated at 13.3 bnEUR, grew by over 7% in 2018 after a 8.5% y-t-y growth in 2017 according to estimates of PMR and Bricoretail.ro.

The DIY and home improvement market growth is mainly generated by the positive economic context, by the rising disposable incomes and the continuous expansion of the residential property market in the recent years. Showing more confidence in the income growth perspectives, the Romanian consumers are resuming renovation activity.

In respect to tools, automatic power tools are in high demand, with numerous foreign brands available in stores and on-line. ***Some of the brands analysed by FRD Center include Bosch, TTI, Makita, DeWalt, Hitachi, Black & Decker, Festool, Fein, Hilti, Metabo, Skil, Ridgid, Einhell.*** At the same time Private Label hand tools are increasingly present in the DYI retail.

The homeware and garden ware products are mainly sold in the modern retail in Romania, specifically in chained home improvement and gardening stores.

In regards to the Romanian market of construction materials, ceramic tiles, finishes, paints, mortars, plaster, fixtures or insulating materials, according to the local players, will continue to grow in 2019.

The Romanian ceramic tile sector is dominated by imports, which account for about 80% of the total market. According to the latest available data, most of the ceramic tiles imports come from Bulgaria, Spain, Italy, Turkey and Poland.

Similarly, the imports on the Romanian ceramic sanitary ware market are of 25% - 30%. According to statistical data provided by the National Institute of Statistics in 2018, the Romanian imports of sanitary ware increased by 11.45% in value compared to the level registered in the same period in 2017.

As an example of growth dynamics, **German Quality Solution**, which imports ceramic tiles and sanitary ceramic items among other types of home appliances, reported in 2018 a **sales increase of over 22%** compared to 2017.

In respect to home paints and varnishes, it was observed a growing demand for premium, more expensive products with additional benefits.

According to the FRD Center analysis, some of the main DIY and home improvement retail chains operating in Romania are: Dedeman, Hornbach, Leroy Merlin, Brico Depot, Mathaus by Arabesque, Praktiker, Mr. Bricolage
Some of them are profiled below:

Dedeman	
Entry year in Romania:	1992
Entry method:	set up by two Romanian entrepreneurs
Sales:	around 1.4 bnEUR in 2017, +20% compared to 2016
No of stores:	49 stores

Hornbach	
Entry year in Romania:	2007
Entry method:	direct entry by Hornbach Group
Sales:	153 mEUR in 2017, +10% compared to 2016
No of stores:	6 stores

Leroy Merlin	
Entry year in Romania:	2011
Entry method:	direct entry by Leroy Merlin Group
Sales:	288 mEUR in 2017, +30% compared to 2016
No of stores:	17 stores

Kingfisher is aiming to convert the **Praktiker** stores in Romania that it acquired in August 2017 to its **Brico Dépôt** format by spring 2019. Their ambition is to become a leader in the Romanian home improvement market. With 38 stores and an overall retail area of 273 000 m², Kingfisher is currently second in the Romanian home improvement retail market after local group Dedeman. The takeover of the Praktiker chain in Romania enabled the British company to increase its Romanian sales by 82.3% in the first 6 months of fiscal year 2018/2019.

Romanian Furniture and Home Decor retail market

In the first ten months of 2018, the value of the Romanian furniture production was of 2.2 bnEUR according to data of the Association of Furniture Producers in Romania (APMR). The local furniture market is estimated at 900 mEUR, out of which approx. 80% is imported.

More than 66% of the Romanian buyers prefer to order furniture and home decorations on the mobile phone, according to a study by Acaju. Nevertheless, the furniture stores, showrooms and retail chains continue to expand in Romania.

However, the greatest majority of modern housing, office and commercial projects source furniture and home design directly from foreign manufacturers. FRD Center facilitates direct contact with local interior designers and architects interested in sourcing quality products, light design as well as contract furniture.

According to the FRD Center analysis, some of the furniture and home decor stores present in Romania include: IKEA, Jysk, kika, Mobexpert, Elvila, Casa Rusu, ClassIN, Noblesse

IKEA	
Entry year in Romania:	2007
Entry method:	franchise (Moaro Trading SRL); subsequently, in 2010, Ikea Group has acquired the operating rights and franchise from Moaro Trading
Sales:	around 132 mEUR during September 2017 – August 2018, +10.6% compared to September 2016 – August 2017
No of stores:	1 store
Expansion plans:	a second store, already in construction, to be opened in 2019

Jysk	
Entry year in Romania:	2007
Entry method:	franchise (Nordic Investments Fund Retail); subsequently, Jysk Group has acquired the franchise
Sales:	91 mEUR in 2017, +43% compared to 2016
No of stores:	73 stores

kika	
Entry year in Romania:	2008
Entry method:	direct entry by kika Group
Sales:	17 mEUR in 2017, +9% compared to 2016
No of stores:	2 stores

Austrian furniture and home decorations retailer **XXXLutz** plans to expand its operations in Romania by opening in 2019 a 10,000 sqm **mömax** store in Transylvania region. The retailer entered the Romanian market at the beginning of 2018 when it opened the first **mömax** store in Timisoara. According to Ziarul Financiar and Romanian Insider, the store reached 1.5 million clients in the first eight months of activity. The turnover per square meter of the Timisoara **mömax** store is higher than any **mömax** shop in Europe, which determined the company to continue its expansion on the local market.

Currently with 73 stores, the **Danish** furniture and home decorations retailer **JYSK** aims to reach 100 stores in Romania by 2020. **JYSK Romania** closed 2017 with a turnover of 91 mEUR which according to the FRD Center analysis is +43% compared to 2016.

Alfemo, one of **Turkey**'s most prestigious furniture manufacturers, has recently opened its first showroom in Bucharest through Kids Room Decoration as the Master Franchisee. The inauguration of the Bucharest showroom is part of a plan to open more than 100 of Alfemo's own stores by 2023, and to develop a network of stores in the largest cities in the country through franchise programs.

The online furniture and accessories retailer **Bonami** recorded estimated sales of 10 mEUR in Romania in 2018 which represents a growth of the Romanian market of 60%.

Online furniture and decoration vendor, **Vivre**, controlled by Romanian entrepreneurs, estimates for 2018 a turnover of 50 mEUR up 40% over the previous year.

Demand for Home & Deco products is rising in Romania, especially in smaller towns, where customers do not have many options. That is why the former owner of Praktiker in Romania is currently opening a new chain of stores called **Homelux** targeting mainly smaller Romanian towns, planning to reach 20 units over the next 5 years. The company sells furniture, decorations, carpets, lighting fixtures, home textiles and home appliances.

Romanian Toys retail market

The toy and games market in Romania is estimated at over 210 mEUR. Since the economy continued to grow at a fast pace in Romania and the salaries and child benefits have constantly increased, leading to higher consumer disposable incomes, the Romanian toys and games market registered another year of retail sales growth in 2018.

From 2012 until 2017, the toy and games sales in Romania increased almost five-fold, according to an analysis by financial consultancy firm KeysFin. Foreign companies control approx. 80% of the local toy retail market.

According to the FRD Center analysis, some of the main toys retail chains in Romania include: Jumbo, Noriel, Lego, Active Toys, KidVentura, VarunaS, SMYK All for kids, Maxi Toys

A few examples are profiled below:

Jumbo	
Entry year in Romania:	2013
Entry method:	direct entry by Jumbo Group
Sales:	60.9 mEUR in H2 2017, +50% compared to H2 2016
No of stores:	13 stores
Expansion plans:	a chain of 25 stores by 2022

Noriel	
Entry year in Romania:	2009
Entry method:	set up by Romanian entrepreneurs, currently controlled by Enterprise Investors fund
Sales:	39 mEUR in 2017, +28% compared to 2016
No of stores:	48 stores

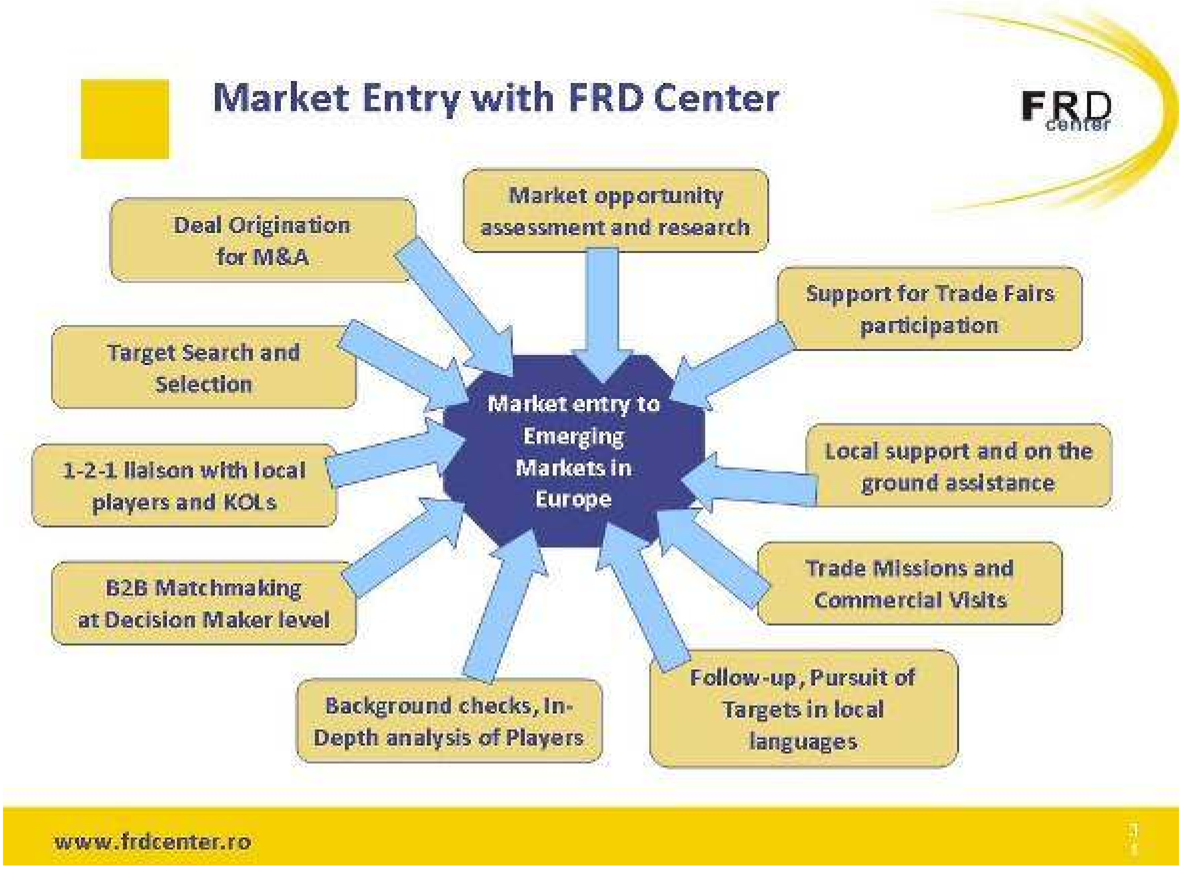
SMYK All for kids	
Entry year in Romania:	2009
Entry method:	direct investment by SMYK Poland
Sales:	7.4 mEUR in 2017, +53% compared to 2016
No of stores:	11 stores

Market entry with FRD Center

FRD Center is monitoring the market opportunities in non-food retail sector in Romania.

Upon demand, FRD Center analyses the sector and the dynamics of the players.

For over 18 years, FRD Center facilitates commercial relations between foreign manufacturers, investors, exporters with local key decision makers and provides B2B matchmaking, M&A advisory, Trade Missions, Inward Buyer Missions, Roundtables etc.



For tailored Market Research, New supplier qualification, B2B Matchmaking with local players in the sector, Deal Origination and M&A assistance feel free to contact
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