

# The Romanian automobile market between integration and globalization

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## **Abstract**

*The markets are becoming more and more global. The homogenization of tastes and trends which that led to the creation of a unique Europe, encourages the standardization of products, but the cultural and historical differences have the power to impose the adaptation to the local specific. The Romanian marketers have to find solutions to all the changes that appeared together with the creation of the European Union.*

*The automobile industry is a veritable industry from the stimulation of the economical growth point of view: this activity creates a growth through technological development, intense connections with other industries and a continuous growth for the newly launched automobile models on the market.*

*The Romanian automobile industry is deeply internationalized, being the only national competitive sector that can be integrated in the actual structure of the internationalization and globalization of the whole economy.*

*The automobile industry is one of the most important industries in the world that influences not only, the world's economy, but also the culture of the world. It keeps occupied in working places millions of people and generates millions of dollars of annual benefits. This industry has revolutionized the XXth century, irreversibly changing the way that people live, work, travel and spend their spare time. The automobile construction has become the greatest industrial activity, with over 50 millions annually constructed units.*

Keywords: automobile industry, globalization, internationalization

As a result of the changes on the Europe's map, Romania occupies the 9<sup>th</sup> position in Europe from territorial and demographical point of view. Romania possesses an important part of the western Black Sea coast and the most important harbour facilities in the area. Romania controls the last 1 000 km of the navigable Danube way and the Danube-Black Sea channel. Regarding its economical force, Romania is far away from the economical characteristics of the European Union countries, but the steps made are in the direction of creation a functional market economy.

## **Strategic options on the Romanian automobile market**

As a tendency, the markets are becoming more and more global. The homogenization of tastes and tendencies for the creation of an unique Europe, encourages the standardization of products, but the cultural and historical differences will impose adaptations to the local specific. The Romanian marketers have to look for solutions to all these changes, as a result of the European Union creation. In this context, we present some strategic options:

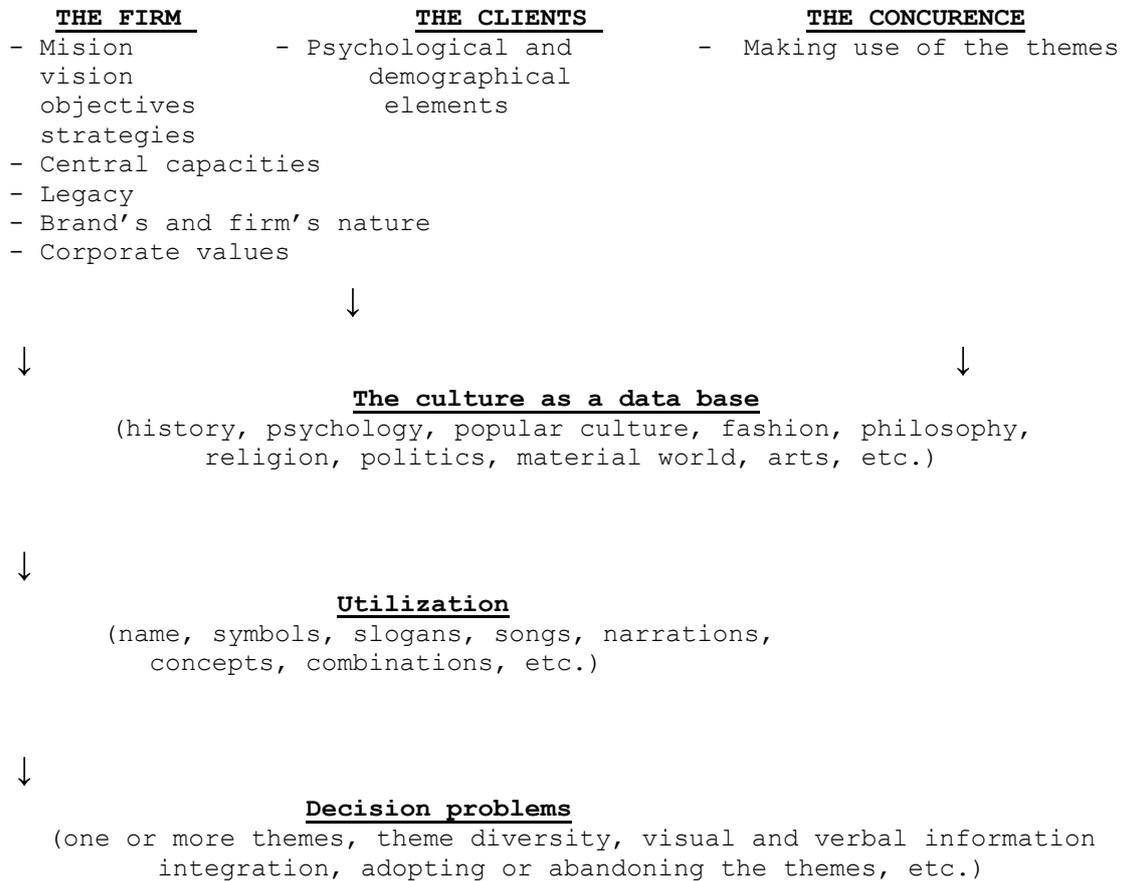
**Table 1: Strategic options adapted to the local specific**

	<b>Changes</b>	<b>Threats</b>	<b>Strategic options</b>
	Licences and common brands	Origin legislation	Obtaining advantages from segmentation and not from the brand
<b>Product strategies</b>	The harmonization of production and control standards	The inopportunity of the differentiation of the specifications	The unique production
	The harmonization of the manufacturing, packaging and label elements	Differences in marketing research	The standardization of the packaging and labeling, there where it is possible
<b>Price strategies</b>	A more competitive environment	Parallel imports	The exploitation of different added value taxes
	The elimination of the restrictions regarding foreign products	A decreasing liberty regarding the use of transfer prices	The adaptation of the price elasticity to the consumer's needs
<b>Promotion strategies</b>	Common orientations to the T.V. diffusion	Restrictions to alcohol and cigarettes ads	The coordination of the promotional mix elements
	The lost of the national diffusion monopole	The limitation of the foreign T.V. production	The exploitation of the European media
	The homogenization of the commercial standards and advertisements	Differences in the permitted promotion techniques	Product positioning as a result of the local markets needs
<b>Distribution strategies</b>	The simplification of the transit documents and procedures	The increasing of the distributors merges	Unique manufacturing facilities
	The elimination of customs formalities	Restriction in the use of computerized data bases	The creation of the untraditional media: direct marketing, telemarketing, etc.

Source: Sasu, C., 2001, "Marketing internațional", ed. Polirom, Iași

When a company creates its own identity, deeply researches are necessary to be made:

**Figure 1: The general frame to create a brand identity**



Source: Schmitt, B. and A., Simonson, 2002, "Estetica în marketing", ed. Teora, București

From the Figure 1 we can see the importance of the culture to create a powerful brand. "Everything is cultural" as Jacques Charpentreau pointed, the culture is a reality linked by the social, being "the space where the forces of persons and communities are arranged"<sup>1</sup>. The culture favoures the continuous information and models the communication skills, leads to the growth of the mobility in the social space, stimulates the active and critical participation, favoures the capacities and professional preparation, develops the human personality. After R. Kaes, the culture represents what remains in the spirit and sensibility, durable and efficient, a kind of method and usage to lead our lives.

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<sup>1</sup>Moldoveanu, M., Ioan-Franc, V., 1997, Marketing și cultură", ed Expert, București

In the article 1301 of the European Union Treaty it is mentioned that "the goal of the Community will be the consolidation of the scientific technological base of the European Industry to encourage it to become more competitive at an international level". The corporate laboratories of the firms were implied in research projects on themes that couldn't be financed at a local level: 30% of these laboratories' budgets were used by strategic researches, greatly influenced by the European Union programs<sup>2</sup>.

The work, as a production factor must be reevaluated in Romania. The motivation seems to be the solution that leads to a change; but the implementation of this solution is possible only if the workers' mentality is changed. This mentality can be changed by offering them real chances and opportunities that can be reached, not illusions.<sup>3</sup> Implementing the group motivation, the level of performance can be improved, not only in the clients' interest, but also, in the employees' interest, according to the internal marketing principles. The applicability of the concept marketing\*total quality management (TQM) will lead to the Romanian automobile produces' success, by decreasing the internal and external costs, because these costs don't contribute to the automobile quality. By knowing the buyers' quality needs, making use of the marketing methods, the result will be brand loyalty, by constantly exceeding the customers' expectations and pleasantly surprising them.

### **Tendencies on the Romanian automobile market**

Analyzing the sectors, we can make the following estimations:

1. The development of the Romanian economy will not be made homogenously between the economical sectors. There will be, of course, losers and winners.
2. The costs and the benefits of the Romanian integration are not homogenously distributed in time. There will be periods when costs will exceed.
3. Assuring a long term economical growth in Romania can be possible only by developing the human capital, with educational, research and development costs, improving the health system, etc. The implementation of the information and communication technology services means the decreasing of the administrative corruption and the increasing of productivity.
4. The working force market will experiment distortionnal phenomenon, before sustainable development effects are seen such as the generation of new working places. The actual state of the working places is not compatible to the economical progress requirements and to the durable economical development. As we showed before, the Romanians are poor, but happy. The explanation for this, it is the lack of information and education. Thus, the level of their aspirations is constant, as a result of a primary satisfaction. The

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<sup>2</sup> Sandu, S., 2002, "Inovare, competență tehnologică și creștere economică", ed. Expert, București

<sup>3</sup> Emilian, R., 1999, "Conducerea resurselor umane", ed Expert, București

reality shows the fact that the European Union continues to be an insufficiently understood concept by the majority of people. Another conclusion is that the Romanian informational society is still in the incipient phase. Thus, the creation of an innovational managerial culture represents an essential condition for the rationalization of the social component of the integration management to the European Union.<sup>4</sup> The success of the investment act depends on the purpose of the research and development activity, associated with the evolution of development and modernization investments in the production capacities, marketing activity and human resources.

Regarding the Romanian automobile innovation, the following characteristics should be taken into consideration:

**Table 2: The domains of the automobile innovations**

CHARACTERISTICS				
Technical	Utilization	Psychological	Aspect	Associative
The automobile's formula, actuality and class. Weight Type of fuel and consumption Another technical preference (Euro Norms)	The medium utilization period Maneuverability, maintenance costs in guarantee and post-guarantee and, durability The utilization moment (winter, summer, vacations, etc) The function of utilization (commercial, familial, etc)	Function of esteem The guarantee offered by the producer The safety offered The brand image	Conditioning Design Colors	Services Distribution Price

Source: Ristea, A.-M.(coordinator), 2002, "Marketing. Premise și provocări ale economiei înalt competitive", ed. Expert, București

5. The industry is the second economical branch that participates to the creation of Romania's Gross Intern Product, representing 32% of the total sum. In particular, the Romania's automobile industry will develop.
6. The Romanian automobile market is estimated to 300 000 unities every year and at a value of 3 billion Euro. The sales volume will grow with at least 10-15% per year. The Dacia Brand will represent almost half of the Romanian automobile market in 2010. Logan will reach sales of 700 000 unities all over the world, 200 000 from these, being produced in Romania, at Pitești.

<sup>4</sup> Câmpeanu, V., 2004, „Dimensiunea europeană și mondială a dezvoltării durabile”, ed. Expert, București

7. The turnover of the Romanian producer was almost 390 million euro last year. The turnover of the automobile companies will grow 4 times from the actual performance, and the number of employees will double.
8. From 2007 the Romanian capacities will produce only automobiles that respect the Euro 4 Rules.
9. The auto park from Romania will sum up almost 5 millions unities by the year 2010. The medium age of the Romanian auto park is 12-13 years. In 2003, 3 millions of automobiles had insurance, having the legal right to be used on the Romanian streets. 2/3 of the total vehicles in Romania are Dacia, most of them being produced in the years '70s.
10. At present,  $\frac{3}{4}$  of the automobile acquisitions in Romania are paid by instalments, credits or leasing; this situation will be maintained in the near future.
11. The plants from Craiova and Pitesti will become the principal indigene automobile producers by the year 2010. The plant from Craiova will still remain the second actor on the Romanian market, no matter what the brand that will take the Daewoo automobile producer is.
12. The south part of Romania attracted the automobile foreign investors when Renault involved itself at Pitesti. Till 2010 the turnover of the automobile industry firms will increase at least four times as a result of the growth of the work productivity and of the number of workers in this domain.

The internationalization of the automobile production made possible the internationalization of automobile equipments. The auto tyres producers are present on the Romanian market by activities of production or by the constitution of associations where they are the principal shareholders. For instance, the Continental German Group invested 120 million Euro in the plant from Timisoara and foresees an annual production of 10 million tyres. The worldwide leader, the Michelin French Group bought with 80 million dollars 2 plants of tyres of Tofan Group in 2001, the annual production being foreseen at 3,5 million automobile tyres. The Pirelli Italian tyres producer is present in Slatina. Also, the Goodyear American producer is interested in the Romanian market for activities of production.

13. The internationalization of production permitted the apparition of holdings. For example, Ţiriac Auto groups the local importers of 10 brands (Chrysler, Ford, Hyundai, Jaguar, Jeep, Land Rover, Mazda, Mercedes, Mitsubishi, Smart, etc) and will remain a leader in its domain. Volkswagen, Audi, Skoda and Seat are represented on the Romanian market by Porche Romania.
14. By 2010, the Internet by fixed telephony will cover 90% of the houses and 60% of the population. The Romanians will buy automobiles on-line, if the bank system will permit this way of buying. The on-line users market consists in almost 3 million users.

15. The construction of speedways attracts other activities such as gas stations, restaurants, parking, auto services and, moreover, individual dwellings and commercial groups, because of the easy access to them. At present, Romania has a network of 200 km speedways and occupies almost the latest place in Europe. 1000 km of speedway is estimated to be constructed by the year 2010.
16. Together with the increasing of the population income, time becomes a rare resource, resulting a preoccupation for automobile and services linked to them because they create a real economy of time for the buyer. This situation determined Daewoo and Dacia to react promptly to the market reactions. Moreover we can foresee that the level of preferences for personal automobile will exceed the preferences for family automobiles. However, the Romanian producers realized that the separation between products and services will be stopped.
17. The road circulation in Romanian will increase with 7% annually and the network of roads has an insignificant evolution. The Road Administration and the fuel producers and distributors are directly culpable for the mortality index by road accidents of 1,10 that situates Romania on the first place in central and eastern European states.
18. Finally, we can reveal the tendency to reduce the number of hierarchic levels between the automobile firms and their dealers, for 2 reasons: to reduce the psychological distance between managers and employees and to approach the managers to their clients. Thus, we can observe a transfer from the hierarchic organization to networks organization.

### **Suggested strategies to create an international automobile**

We propose some strategies in the steps of the Romanian marketers that can help them create an international automobile:

- The analysis of the equilibrium between the maximized generic attributes of the automobile that are meant to make it profitable and the adaptations that are meant to make it attractive to satisfy the market segments.
- The segmentation of the international market taking into consideration: the type of the targeted buyer, the actual need for automobiles and the class tendencies.
- The choice to satisfy the targeted segments, paying attention not to spread itself on a too diversified line, because of the competitive segment climate.
- The development of powerful post-acquisition operations and services.
- Taking decisions to establish the final delivery price, taking into consideration the profit resulted from the life cycle of the automobile, meaning the level of: services costs, selling of

components in guarantee and post-guarantee, together with the efforts of resumption of a new cycle of acquisition from the same brand, renouncing to the worn out model.

- The elaboration of a continuous qualitative training program and the implementation of a network of loyal and powerful dealers.
- The elaboration of a real guarantee at the level of the concurrent automobile class, doubled by a reputation in terms of durability.
- The creation of a strong sales force to serve the dealers and the creation of an infrastructure of informatics to sustain the dealers, having as effect the reducing of direct sales force costs.
- The adaptation of the automobiles and services to the ecological restrictions.
- The capacity to construct a positioning and a vigorous brand position.
- The training courses for the "leaders of opinion".
- The desire of adaptation of models and services to the organizational buyers needs, such as the public administrations, Road Police, etc.

The Romanian automobile industry, as a whole, it is deeply internationalized, being maybe the only competitive national sector that can be integrated in the actual conjuncture of internationalization and globalization of the worldwide economy.

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