



HOW TO ADAPT YOUR BUSINESS TO THE CURRENT ECONOMIC CONTEXT



March 19, 2009

*Grow your business profitably
in a complex marketplace.*

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METHODOLOGY

Who?

- ▶ 431 Romanian Small and Medium Enterprises activating in various FMCG-related sectors, with a number of maximum 249 full-time employees.

When?

- ▶ 16 February – 13 March, 2009

What?

- ▶ On-line interviews with company delegates

Why?

- ▶ ***“In my opinion, around 30 – 40% of the SMEs will be in trouble. They will definitely not survive the shock of the crisis”***

Constantin Niță, Ministru pentru Întreprinderile Mici și Mijlocii, Comerț și Mediu de Afaceri

- ▶ ***“More than 90% of the SMEs have issues, bigger or smaller, related to the economic crisis.”***

Ovidiu Nicolescu, președintele Consiliului Național al IMM-uri private din România

What does the financial crisis mean for the Romanian companies?

For 3 out of 4 businesses in Romania, the financial crisis is the equivalent of a decrease of demand towards their products/ services.

76%



Decrease of demand for company's products/ services

63%



Delays in payments from suppliers

Especially for companies with 10 to 49 employees, or those activating in Wholeselling

48%



Lack of cash

32%



Growing difficulties in obtaining loans/ credits

25%



Increase of administration costs (utilities etc.)

Other perceived effects:

Raise in the price of raw materials – 19%

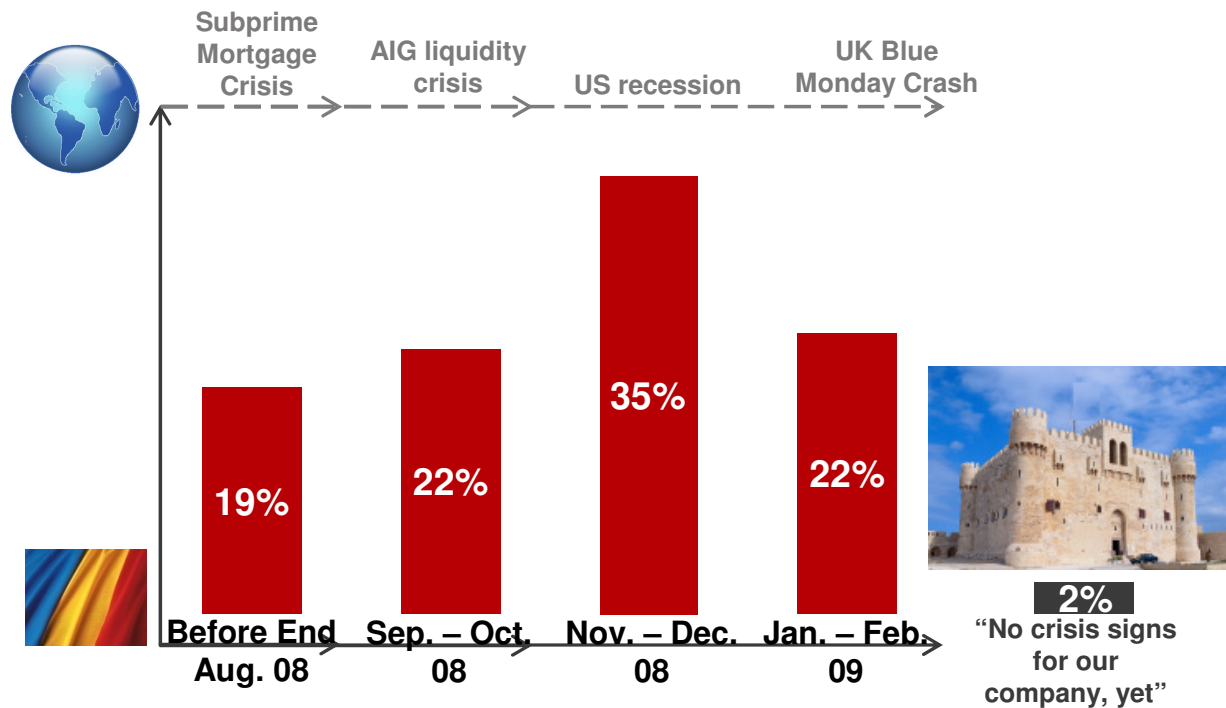
Raise in the costs with salaries – 13%

Base: 431 Romanian companies activating in the FMCG sectors.

Q2. Which were the first effects of the current economic crisis on your company's activity? *Multiple answer*

When did the crisis begin for the Romanian companies?

For almost 60% of the Romanian businesses, the current financial crisis showed its first signs from November, 2008 onwards. However, there is a small number of companies which seem not to be affected by the overall turmoil.



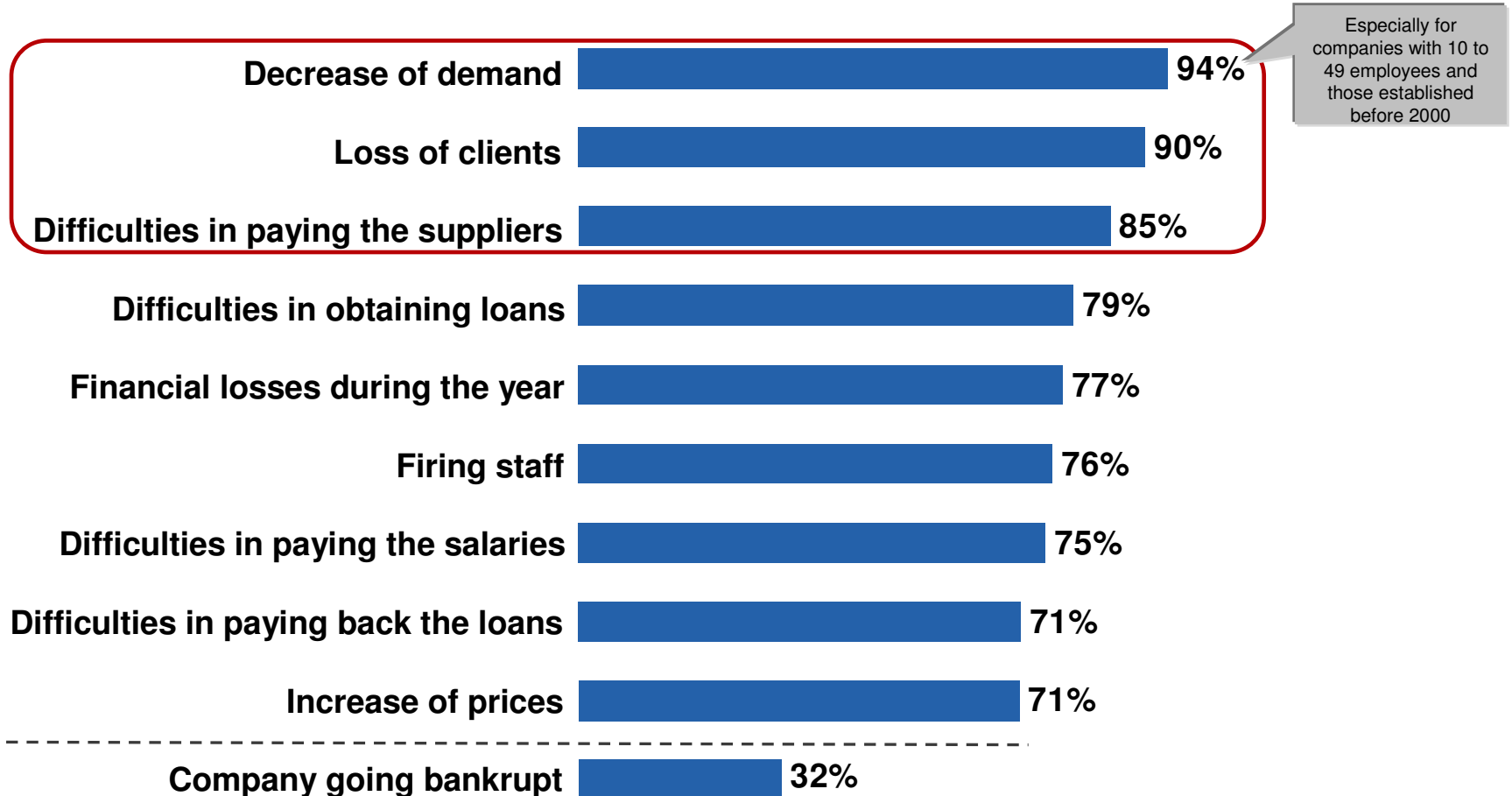
Base: 431 Romanian companies activating in the FMCG sectors

Q1. Please tell us when approximately have you noticed the first signs of the current economic crisis, as far as your company is concerned?

What do companies fear most during this period?

The large majority of the Romanian businesses activating in the FMCG sector agree that the *decrease in demand* will trigger a 'domino effect' on cash-flow, overall profitability and employees.

At the same time, 1 company out of 3 is likely to go bankrupt.



Base: 431 Romanian companies activating in the FMCG sectors

Q4. During this period, how likely is for these negative events to take place inside your company? *Multiple answer*

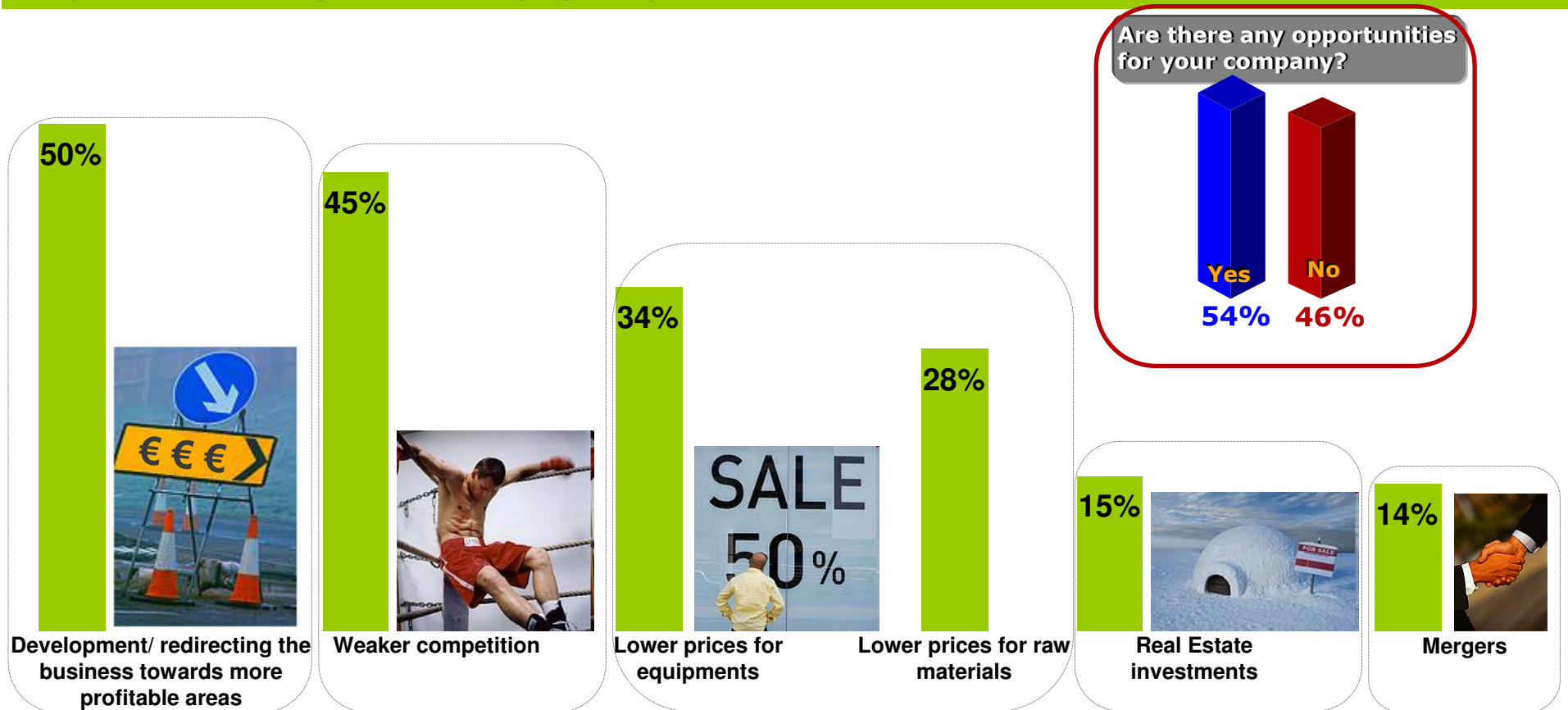
Cumulated percents of those answering 'Highly Probable' or 'Probable'

Opportunities during this period

Romanian companies display a polarized opinion when it comes to finding any opportunities for their business during the current period.

The most important opportunities generated by the current period consist of: *development/ redirecting the business towards more profitable areas* and benefit from *weaker competition* or *lower prices for equipments/ materials*.

Only 15% of the companies see any openings on the real estate market.

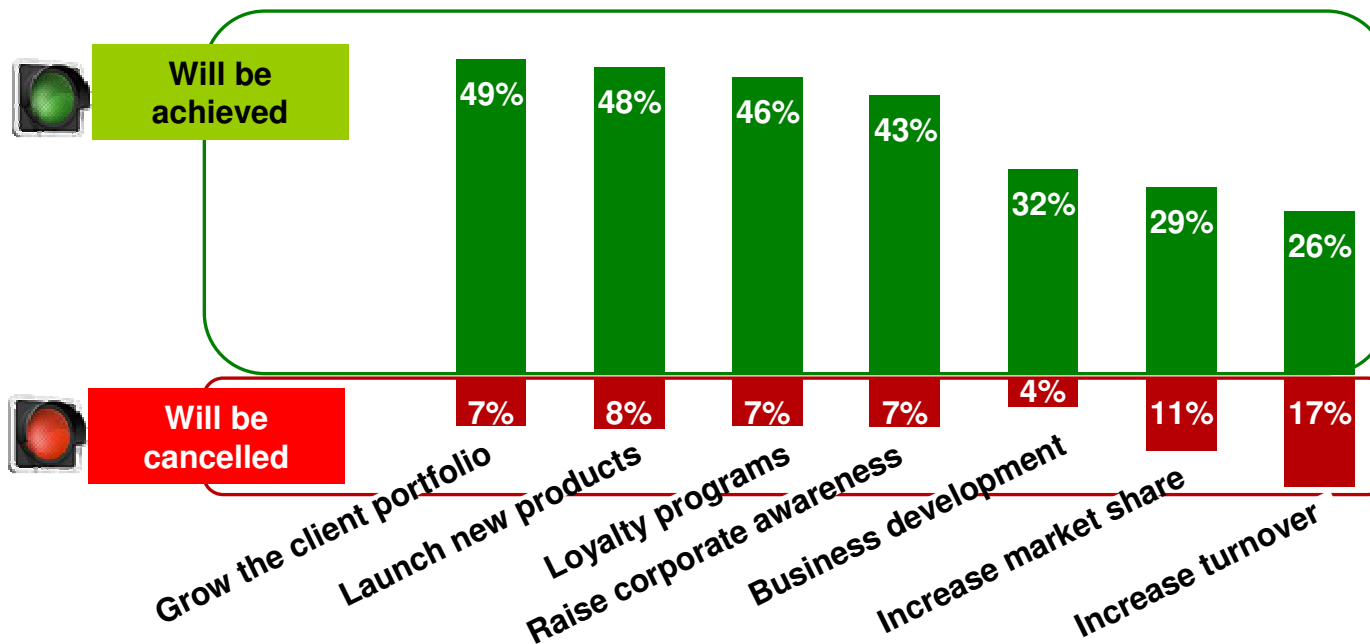


Base: 230 Romanian companies activating in the FMCG sectors, which see opportunities for their company during this period
 Q6. What opportunities are there for your company during this period? *Multiple answer*

Objectives for 2009

In 2009, Romanian businesses will seek to achieve their corporate objectives regarding mainly securing of their clients.

On the other hand, almost 17% of the companies will give up their goal of *increasing the turnover*, and more than 80% of the companies did not set any objectives regarding possible acquisitions or mergers.

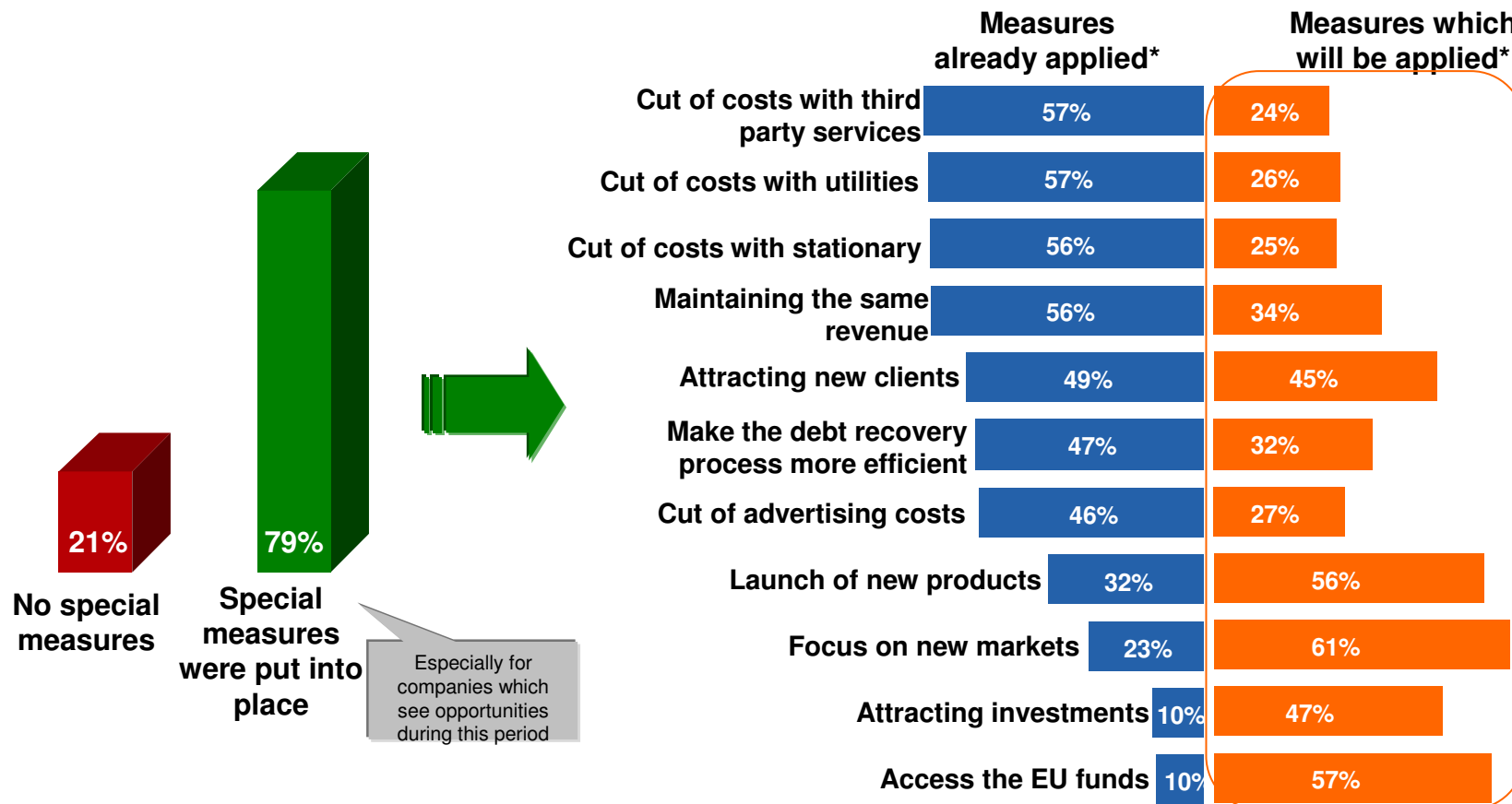


Base: 431 Romanian companies activating in the FMCG sectors

Q7. In 2008, your company planned specific strategic objectives for this year, which, under the current economic conditions: will be achieved, will be delayed or will be cancelled. Please tick below, only for the specific objectives planned in 2008, what is the situation which best fits your company.

Special measures in order to cope with the crisis

Almost 80% of the Romanian businesses took special action in order to successfully support the company during the financial crisis. Most of these measures have a short term effect and plan to *cut the costs* generated by suppliers/ administration of the business.



Base: 431 Romanian companies activating in the FMCG sectors

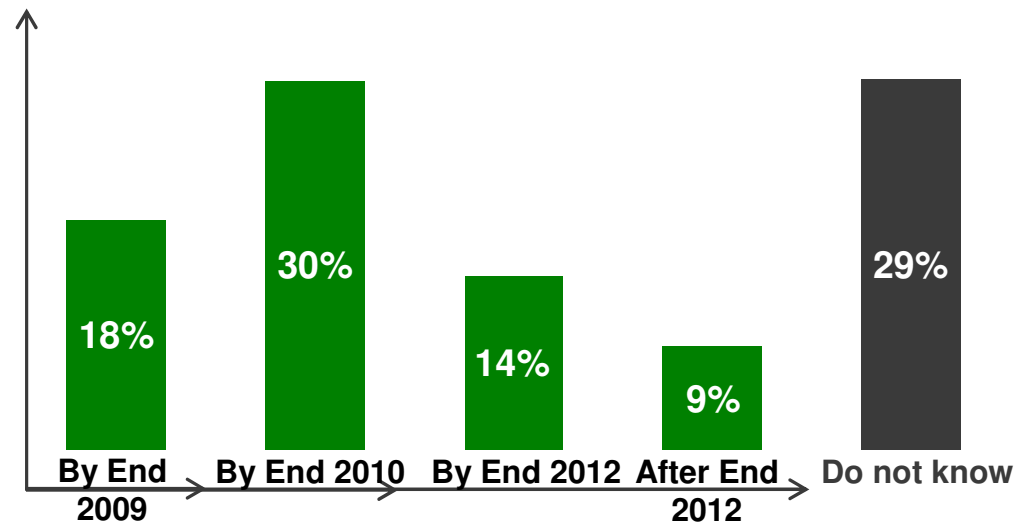
*Base: Companies which took special action in order to cope with the crisis

Q8. For 2009, did you company take any actions to support the business during the crisis?

Q9. What measures have you thought about and applied/ will apply in order to cope with this crisis period?

How much will the crisis last?

Almost half of the businesses expect this challenging period to be finished by end of next year. On the other side, 1 in 3 company delegates cannot make an estimation with regards to this aspect.

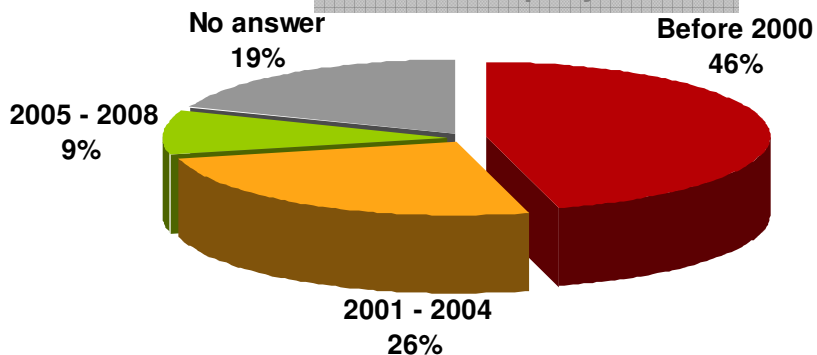


Base: 431 Romanian companies activating in the FMCG sectors

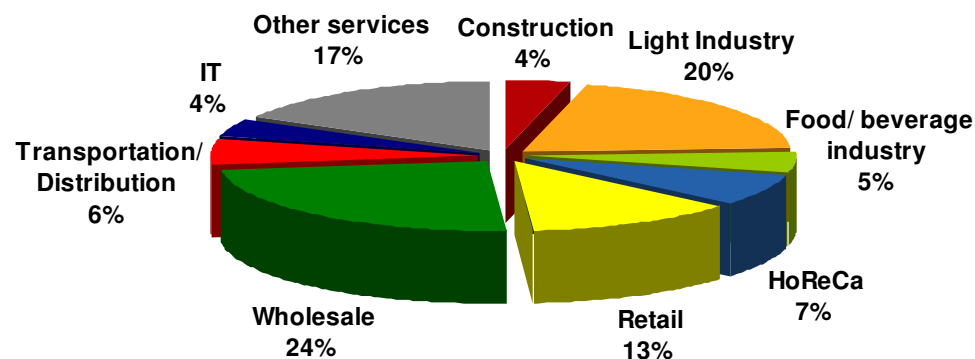
Q3. Please tell us, approximately how much do you think will last this economic crisis period in Romania?

Company Profile

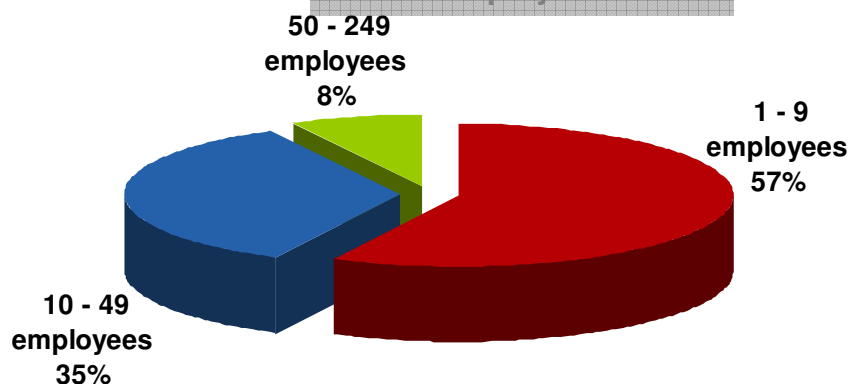
Year of Establishing the Company



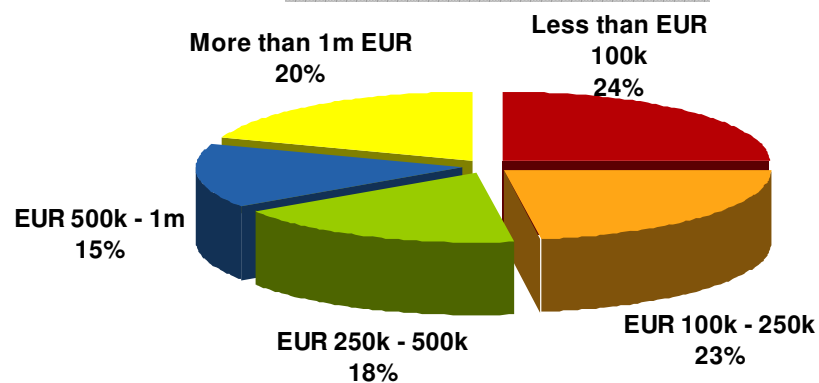
Field of Activity



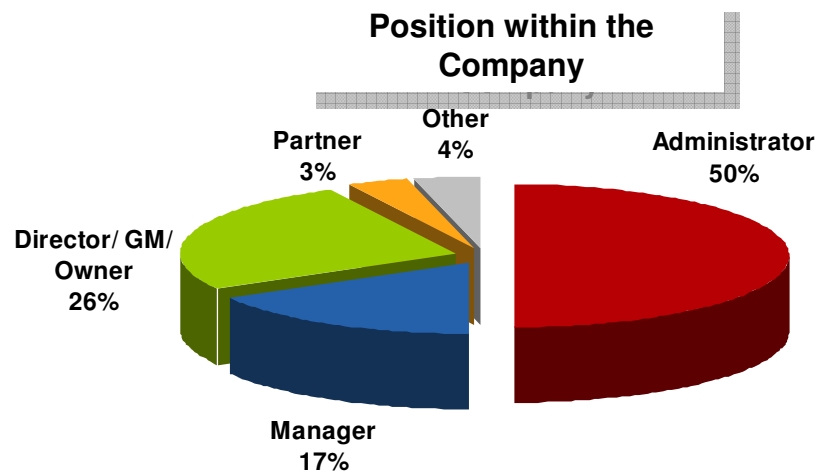
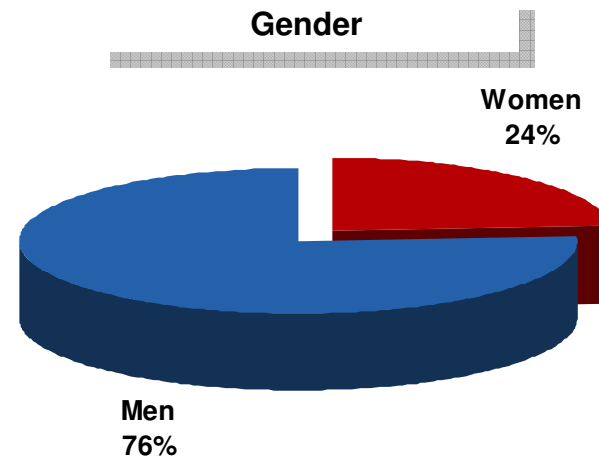
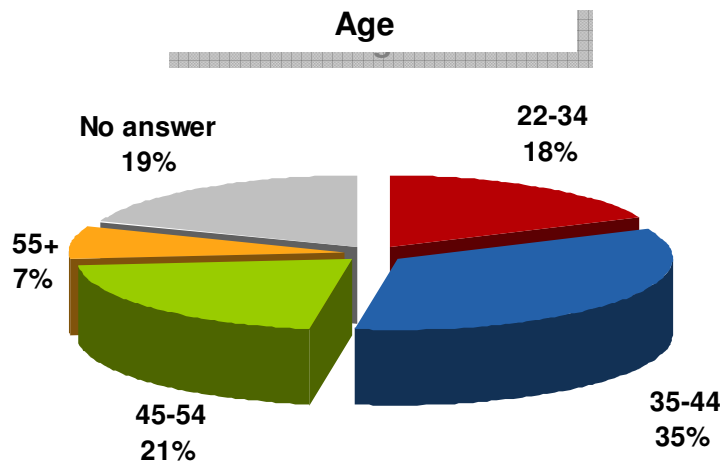
Number of Full-time Employees



2008 Turnover



Respondent Profile





Summary

- ▶ For 80% of the Romanian companies, the first effects of the financial crisis showed gradually throughout 2008, with a peak in November-December.
- ▶ The largely advertised financial crisis translates at the level of businesses through *decrease in demands for the products/ services offered, delays in payments from suppliers and lack of cash.*
- ▶ The 'domino effect' of the decreasing demand will trigger negative effects on cashflow, overall profitability and staff, in the opinion of the companies based in Romania.

- ▶ Surprisingly or not, during this period half of the business envisage opportunities related to: *development towards more profitable areas, weakening of the competition and lower levels of prices for equipment/ materials.*
- ▶ Despite this challenging period, almost 50% of the companies will try to achieve their corporate objectives related to the securing of the client portfolio.
- ▶ In order to cope with the financial crisis, 8 companies out of 10 planned a series of special measures designed mainly towards cutting the costs of administrating the business.

- ▶ Although half of the company delegates envisage the crisis to be over by end of 2010, there are other 9% of them for whom the end of this period is not in sight earlier than the beginning of 2013.



The Meaning of Crisis*

Danger

Opportunity

危机

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*In Chinese!