

MANAGING SERVICES IN THE FIELD OF WHOLESALE OF WOOD AND CONSTRUCTION MATERIALS AND SANITARY EQUIPMENT IN ROMANIA. CASE STUDY: NOUĂ TEI COM

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Abstract

The purpose of this article is to keep trace of the economic evolution of building materials suppliers from Ramnicu Sarat between 2010 and 2012. More specifically, through this article it was analyzed the financial-economic situation and the future perspectives of the company Noua Tei Com S.R.L. This topic was chosen since building materials trade is the main income source in Ramnicu Sarat, fact which encourages the field expansion through commercial companies' development within this framework.

Keywords: Trade, Building materials, Financial-economic analysis, Perspectives.

1. INTRODUCTION

Trade is one of the concepts we can simply understand but it comes very hard for us to define. This thing is very difficult because the term itself has a complex sense, in derived forms or expressions.

Etymologically, the term "commerce" comes from the Latin form "comercium" whereby it was designated the exchange of products with a person. By commerce it is assumed the voluntary exchange (trading) between two entities of valuable goods, trade being the central concept from which capitalism and other economic systems were born. Commercialization means the transformation process of a good or service into an equivalent value (more costly).

The scientific and technical progress have generated the most important changes of commerce, reflected in the sequence of the six major revolutions completed in this sector of activity: (1) the emergence of large stores, (2) the development of branches, (3) the emergence of popular stores, (4) the emergence of self-service, (5) the emergence of shopping centers and (6) the expansion of electronic commerce (Trifu, 2012, p. 31).

Being an important branch of trade, building materials supply represents one of the main elements of the economy, because in 1990 this recorded an almost permanent ascension and it was thinly hit by the 2008 Romanian economic crisis.

In other words, building materials trade in Romania, according to the statistics, register relatively high income compared with other economic sectors, thing which determines the continue apparition in the area of new legal persons or the expansion of the present ones. In order to weaken the short-term competition through increasing the costs of the rivals, or to weaken or long-term competition through increasing input costs there is a strategic option that can be used, and that is vertical integration (Corboș, 2011).

Management and entrepreneurial style adopted within a company has to create a favourable climate and framework for innovation and creativity, to assure openness and interactivity in order to pursuit and reach its goals (Trifu and Croitoru, 2013, p. 81).

It is however not easy to produce useful generalizations concerning the management of service companies due to the great diversity of the service sector in general, and of the services in the field of wholesale of wood and construction materials and sanitary equipment in particular (Zamfir, 2013).

2. CASE STUDY: NOUĂ TEI COM

2.1. Company's activities

The company Noua Tei Com is under the judicial form of limited liabilities commercial company according to the Romanian legislation. The company's headquarters is in Ramnicu Sarat, Buzau county, having as soul associate M. Hotescu Ion. Its main activity is retail trade of wood and building materials and sanitary equipments, according to the present CAEN code 4673 (Firme din România, n.d.a).

2.2. Economic and financial analysis

The financial-economic analysis represents a set of concepts, methods, techniques and instruments which assure the intern and extern information against wording properly appreciation regarding the financial and economic situation of an economic agent. The analysis also refers to factors identification, the causes and circumstances which determined the situation, the intern resources for improvement in order to efficiently use the human, material and financial resources (Niculescu, 2003, p. 22).

TABLE 1 – GENERAL INDICATORS

No.	Indicator	Measuring units	2010	2011	2012	2011/ 2010 (%)	2012/ 2011 (%)
1	Turnover	Lei	17.598.419	21.293.791	20.804.747	121,00	97,70
2	Employees number	Persons	70	70	64	100,00	91,43
3	Total income	Lei	19.785.574	22.122.223	22.086.695	111,80	99,84
4	Total expenses	Lei	19.119.104	21.600.566	21.475.170	112,98	99,42
5	Gross profit	Lei	666.47	521.657	611.525	78,27	117,23
6	Net profit	Lei	571.672	439.863	529.99	76,94	120,49
7	Fixed assets	Lei	4.028.813	3.452.525	3.256.599	85,69	94,33
8	Capital	Lei	4.189827	4.494.679	5.024.669	107,28	111,79

Source: 828.ro.

This analysis is made in order to enhance the company, being one of the instruments for increasing efficiency in the decision-making process. Among other instruments is the diagnostic.

TABLE 2 –GENERAL INDICATORS

No.	Indicator	Measuring units	2010	2011	2012
1	Annual labour productivity	Lei/person	251.406	304.197	325.074
2 Profitability indicators					
2.1	Net profit's margin	%	5	3,25	2,07
2.2	Turnover's growth	%	-	20,99	2,29
2.3	Return on assets	%	14,19	12,74	16,27
2.4	Return on capitals	%	13,64	9,79	10,55
3 Solvency indicators					
3.1	Indebtedness Degree	%	45	39	31
4	Expenses per 1000 Lei income	Lei	966,32	976,42	972,31
5	Income's growth index related to expenses	%	-	0,99	1,00
6	Expenses per 1000 Lei turnover	Lei	1086,41	1014,40	1032,22
7 Return indicators					
7.1	Commercial return's rate	%	3,79	2,45	2,94
7.2	Net commercial return's rate	%	3,25	2,07	2,55

Source: Doing business, n.d.

According to the present data, in 2011 it is noticed an increase of the turnover of 21% compared to the past year, while the number of employees is constant. The main causes are: the launch of adequate promotion techniques, assuring the reserves for actual demand, the offer diversification in terms of product lifecycle, the embracement of competitive prices (Firme din România, n.d.b).

Between 2011 and 2012 it is observed a decrease of turnover by 2.30%, fact influenced mainly by the number of employees decrease by 8.57% (6 persons). This can be a consequence of retirements, resignations, dismissals without hiring, etc.

The annual productivity highlights the efficiency of human resources, thus in 2011, compared to 2010, a growth of labour productivity by 52.791 lei/person it is noticed, point influenced directly by turnover and number of employees fluctuations.

Between 2011-2012 it is remarked a sustained annual productivity, even though the turnover decreases less than the number of employees. This effect is considered to be the permanent improvement of labour resources.

The sustainability and profitability of any company on the market depends in a decisive manner on their creative and innovative capacity, in other words, on the employees who can generate growth and progress (Trifu and Croitoru, 2013, p. 81).

The net profit margin might be a weakness of the company as it is observed that in 2012 it has a value of about 2%, highlighting the possibility of transforming the company into an unstable one if it will continue in the same regressive pace (Mărăcine, 2014).

The turnover's growth indicator in 2011 compared to the past year showed an increase of 20.99%, thing which positions the company as stable.

For the following period, a decrease of turnover is noticed, fact which influences directly the decrease of profitability index, being 2.29%. In this situation, S.C. Noua Tei S.R.L. goes through a non-steady situation, because the increase of turnover is below 5%.

According to the calculations made, for the return on assets, the following values were obtained: 14.19% in 2010, 12.74% in 2011 and 16.27% in 2012. These numbers show, in compliance with the intervals, that the company is situated in the medium productivity area (5-40%) involving the fact that the equipment is not optimally used. A slow ascension is observed at the end of the analyzed period, being a beneficial situation because equipment efficiency is correlated to labour efficiency.

After the calculations made over the analyzed period, the return on capital has the following values: 13.64%, 9.79% and 10.55%. They indicate that the firm has a medium productive capacity, highlighting that the financial resources are not used at the highest level. It is also noticed the fluctuation of this indicator, without exceeding 25%, thus the company is situated in the high productivity range.

Following-up the analysis made, the constant dropping of the degree of indebtedness thus: in 2010 it is 45%, in the next year is 39% and in the last one 31%. It can be said that gradually, the company became less and less risky, maintaining on the medium financial risk range (30-70%) for all the analyzed period. The company increased its level of self-financing.

The analysis also showed variations of the expenses per 1000 lei income from one year to another, thus: in 2010 the expenses were 966.32 lei, in 2011 increased to 976.42 lei and in 2012 a lowest level, 972.31 lei.

In 2011, an income growth of 0.99% is observed, being a slight increase but beneficially for the company. In 2012 the income increased slightly. These have an ascending index compared to the expenses index of 1%, fact which leads to expenses decrease and to income increase.

In this analysis we may see a variation trend of the expenses, thus in the first analyzed year, the expenses per 1000 lei turnover are 1086.41 lei, the next year they decrease at 1014,40 lei (approximate 6.60%). In the last year it is noticed again an increase of the expenses per 1000 lei turnover of 1032.22 lei. The growth of the expenses per 1000 lei turnover in 2012 by 1.8% is due to the high dynamic of the total expenses compared to the turnover dynamic. In the past period, the decline by 6.60% of the indicator is due to the high evolution of the turnover compared to the dynamic expenses related to the turnover, situation which causes a growth in the utilization of the expenses efficiency.

In the first analysis year it is recorded the highest rate of commercial return of 3.79 lei at 100 lei turnover. For the next years the index level is below this value.

As a whole, the financial-economic situation in 2010-2011 registered a dynamic of 21% of the turnover; the number of employees remained steady due to the increased sales volume, to the product diversification and particularly due to the high level of human resources efficiency. Given the high turnover and the constant number of employees, an increase of labour productivity by 21% is remarked.

Because the total expenses level augmented faster than the total income level, in the analyzed period it is noticed a decline of the net profit by 23.06% and of the fixed assets by 14.31%, fact which indicates the modification of the total assets structure through increasing current assets. This is a bad thing for the company because it represents an increase in inventories and claims.

Regarding the company's profitability, assuming the calculations, it can be observed a decline of all indexes, except the increase of the turnover because 2010 is the first year of analysis and its index value cannot be calculated.

In terms of reliability, the diminution by 13% of the analyzed indicator is remarked, highlighting less and less bank loans and the increased capacity of self-financing.

Looking at the profitability indexes it is noticed a decline of the commercial return rate and net return rate, thing which leads to a inferior level than the recommended level (25 lei).

Concluding, in 2011 the enterprise has an inferior financial-economic situation than in the past year, excepting the annual labour productivity and the degree of indebtedness level.

Making the same analysis for 2012-2011, the turnover showed a decline by 2.3%, caused directly by the number of employees decrease, from 70 in 2011 to 64 in 2012 (8.57%). Other causes which led to this decline are the product retirement from the market and the number of customers' reduction. Although, compared to the past year, the turnover and the number of employees in 2012 decreased, a growth of annual labour productivity by 6.9% can be observed, proved by the highest decline of employees number (8.57%) compared to the turnover diminution (2.3%).

Concerning income and expenses analysis, it can be said that they suffer a reduction of 0.16%, respectively 0.58%. Taking into account these declines altogether with fixed assets growth, it is registered an augmenting of the net profit by 20.49%.

Concerning the profitability indexes, it is seen that the net profit margin and the growth of turnover are lowered by 36.3%, respectively 89.1%. Instead, the return on assets and on capital grow by 27.7%, respectively 7.95, highlighting that the equipments and the financial assets are well-used.

Analyzing the company reliability, it is registered a decrease of the indebtedness degree by 20.51%, thing which leads to the self-financing ability. Furthermore, it can be seen an expenses per 1000 lei turnover reduction by 0.42%, situation considered desired.

Concerning the productivity indexes, it can be said that they have a higher level compared to the past year.

In conclusion, the financial-economic situation in 2012 is superior to the one in the former year, situation beneficial both for the internal environment of the company and for the future alliances with the markets where it activates.

2.3. SWOT analysis

The purpose of the SWOT analysis is to highlight the strengths, weaknesses, opportunities and threats of the company in order to influence both the decision-making process by solving the existing problems and valuing its strengths and weaknesses.

Behind the analysis made from economic, financial, commercial and operational points of view, it results a series of conclusions which mark out both the positive characteristics and the weaknesses of the company and the activities that have to be improved in order to bring in a plus of advantages.

The SWOT analysis of the company Nouă Tei Com is presented in table 3, altogether with the main causes and effects that were identified.

TABLE 3 – SWOT ANALYSIS

No.	Strengths	Causes	Effects
1	Having its own auto fleet.	The desire to be the market leader.	The number of customers growth.
2	The factory floors existence.	The need of development.	The turnover growth.
3	Large sales area.	Free transport.	Economic effects and notoriety
4	Efficient personnel labour.	Human potential realisation.	Labour productivity growth.
5	Prices below market average.	The capacity to negotiate and owning factory floors.	The number of customers growth and increasing the sold merchandise volume.
6	Fast delivery.	Qualified personnel.	Customer's loyalty.
No.	Weaknesses	Causes	Effects
1	Owning few factory floors.	Orientation towards trade.	Low income, so low profit.
2	Lack of investments in advertising.	Local stability.	Low number of potential customers.
No.	Opportunities	Causes	Effects
1	Leader on the regional market.	Big number of customers	Stability, notoriety and economic effects.
No.	Threats	Causes	Effects
1	Strictly focusing on local development.	The existence of many known suppliers.	Limited development area.
2	Nearby area orders reduction.	Small building materials deposits.	Sales reduction.

Source: Author's conception

From the analysis accomplished, it can be seen the identification of positive elements and also less beneficial ones, fact which will determine the optimal solutions for equilibrate the company's situation. Therefore, in the next subsection of the paper, we will use the strengths and opportunities on one hand, and the weaknesses and threats on the other hand in order to reveal the main suggestions and further developments of the company.

2.4. Suggestions and further developments

From the financial-economic analysis it was ascertained that, beginning with 2008 to 2011 included, the enterprise had 70 employees constantly obtaining different turnover and labour productivity values. In 2012, the decrease of the number of employees with 6 persons indicates the growth of annual labour productivity.

This thing is possible only under the circumstances in which the company assigned more value to the human resources, fact which had as a direct effect the decrease in the number of employees simultaneous to the increase of annual labour productivity and also to the diminution of salaries expenses. This real demonstration leads to the launch of an idea which can have as a consequence the total expenses decrease through human resources valuation.

An efficient managerial act can be accomplished through direct action on human resources which influence the development of the company (Muscalu and Muntean, 2012). Concluding, one of the proposals which can influence the economic-financial situation of the company can be labour valuation.

The human resource function of the company, together with the effective action of managers, leaders, workers, etc. allows the management and leadership to bring new skills, higher competencies, people from different backgrounds and life experiences, even methods, for a proper behaviour of the company and recognized competitiveness in the environment (Trifu and Croitoru, 2013, p. 82).

Another aspect arising from this analysis is represented by the decline of indebtedness degree level, beneficial both for the internal environment and for the external one, because through self-financing development, the company becomes more economic independently.

According to the data presented in table 2, in 2011 it is noticed a decrease of the indebtedness degree level by 13% compared to 2010, an inferior percentage to 2011-2012 period, when it suffered a decline of 20%. If this pace of reduction is maintained, in the following year of analysis the indebtedness rate can become 22-23%. Thus, the self-financing power will augment and will determine new shareholders.

Dependent on their number and their input, it is anticipated a growth of production level through investment in a new technological line to obtain ecological building materials. Thus, the turnover level can grow by a percentage between 10 and 30% in the first year.

Since 1994, the company has had one soul associate, thus the environment is attractive for shareholding change. Through this process, new lines of production can be created, even though it includes certain risks. The market of ecological building materials is new and it represents a real opportunity for the analyzed company, thus with the new shareholding, the existing enterprise can

develop such an area of production, having two main advantages: business development and the creation of a new production line.

From my point of view, these two aspects are the most important because the production area is more efficient, particularly when most of the manufactured products are sold in their own shop. Business development can also be an advantage if the implementation process was well accomplished.

For now, the four work spaces owned by the company have a trade flow almost equal, each one counting for 25% on the turnover. According to this scenario, it is anticipated that, behind a marketing research to identify two other work spaces with similar trade flow, two new retail stores could be opened in order to exploit the purchasing power. If this objective is accomplished the turnover can increase by 50%, the company strengthening its market position.

Among the things presented, I think that investments in advertising campaigns can also be actions which would, indirectly, generate profit. Although the company has a regional notoriety, through advertising it will manage to satisfy its actual customers and gain new ones.

In conclusion, the main proposals which will create a plus compared to the actual situation are: creating new partnerships and development of a new production line of ecological building materials, investments in advertising, development of new commercial spaces in the nearby spots and increasing labour productivity through personnel valuation. All those mentioned above can be ways of attaining a higher level compared to the actual one.

3. CONCLUSIONS

Building materials trade represents the most important income source not only locally, but for this to be attained, there are some elements needed to have such as: the range of products, price, customers, constantly development and labour force. Having those elements at the optimal level can change a company into one very successful.

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