CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN ROMANIA

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Introduction
This CBI market survey gives information on some main developments in the domestic furniture market in Romania. The information is complementary to the information provided in the CBI market survey 'The domestic furniture market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1 Market description: consumption and production

Consumption
The domestic furniture market in Romania was valued at almost € 1 billion in 2008 in terms of retail sales. This represented € 46 per capita, which was one of the lowest in the EU and just a quarter of the EU average of € 161. Romania ranked fifteenth highest in the EU in terms of sales. This was well behind the next country Portugal, but well ahead of the Czech Republic.

Table 1.1 Consumption of domestic furniture in Romania, 2004-2008, € million

2004	2005	2006	2007	2008	Av. ann. % change	Population (million)	per capita in €	Occupants per household	Households (thousand)
740	800	830	914	987	7.5	21.5	46	3.2	6,820

Source: Verdict, Trade Estimates (2009)

The market in Romania has been growing strongly thanks to a booming economy and a strong housing market, as well as entry to the EU in 2007. The average annual growth rate of 7.5% between 2004 and 2008 was well ahead of the EU average of 1.1%. Romania was one of the few markets to continue growing in 2008, although sales started to slow in early 2009.

Trends in consumption
Segmentation and polarisation are important trends that are shaping the market. Consumer tastes are changing and diversifying. Retailers are trying to meet these trends by providing both low price value products and upmarket, fashionable design products.

The success of IKEA from just one outlet is indicative of how furniture trends are changing. Increasing sales of contemporary furniture have been helped by decreasing sales of locally made products, which are of more traditional style.

The significant improvement in purchasing power has been the main growth driver for household furniture. Stronger purchasing power has led to changes in lifestyle, with consumers more concerned about quality, value for money and functionability.

Demand for more fashionable styles has increased, but this trend was significant mainly in Bucharest and large cities, while small towns and villages continued to rely on traditional furniture items. However, there is also a gradual shift of the population to urban areas, and this should accelerate the trend to more modern furniture styles.

While Romanians have said they will not cut expenditure on food, alcohol or tobacco, two thirds of consumers are cutting their expenditure on furniture and home decoration.

Consumers are cautious rather than worried about the global financial downturn and their main concern is to hold on to their job, according to an article in the leading Romanian Business Magazine in April 2009.

Consumption by product group

In terms of the respective product groups, dining and living room furniture represented the largest group (27%), followed by upholstered seating (23%); kitchen furniture (18%); bedroom furniture (17%) and other furniture (15%). The main change was an increase in upholstered seating, reflecting more purchases of higher value furniture.

Market outlook

The leading three furniture retailers, accounting for 20% of the market, all posted declines in sales in the first three months of 2009. In general volume sales have been maintained, but revenues have fallen as retailers have been forced to make price cuts to maintain sales levels. It is unlikely that the situation will improve during the rest of 2009, but it is expected that consumer confidence in this market sector will return in 2010, albeit at much lower levels than previously.

Production

The furniture industry in Romania is an important part of the economy. Romania is rich in natural resources with 25% of the country's area covered by forests, so domestic production is of a high quality. Beech is the main species, followed by softwood and oak. Romanian domestic furniture production was valued at € 1.2 billion in 2008. This represented an average annual increase of 5.5% since 2004, compared to the EU27 average increase of 0.9%.

The workforce is skilled and production costs are relatively low compared to the EU average. Romanian furniture enjoys high demand among Western EU Member States.

Table 1.2 Production of domestic furniture in Romania, 2004-2008, € million

2004	2005	2006	2007	2008	Average ann.% change	Number of companies 2006	Number of employees 2006
969	1,121	1,203	1,301	1,200	5.5	3,135	85,034

Source: National Statistics, Eurostat, (2009)

The industry has been struggling since the end of 2008. A reduction in orders together with lack of credit facilities has created problems in the industry. The measures taken to address the problem have included product price cuts, layoffs, reducing the working week to four days and scrapping employee bonuses.

According to Eurostat, domestic furniture production segmentation in 2008 was as follows: dining and living room furniture 47%; bedroom furniture 20%; furniture parts 12%; non-upholstered seating 12%; kitchen furniture 7% and other furniture 2%. Eurostat does not provide any information on upholstered seating production, although there is some upholstered seating produced in Romania.

Some interesting manufacturers in Romania include:

- Agache - http://www.agache.ro - located in Lugoj, is a manufacturer of upholstered furniture such as sofas, chairs since 1994. It employs 150 people.
- Alprom - http://www.alprom-sa.ro - located in Arges, designs and produces rustic furniture. Products include beds, sofas and tables. This company was founded in 1963.
- Dragsil - http://www.dragsil.ro - located in Negresti-Oas, is a designer and manufacturer of stylish furniture for all of the home including beds, tables and dining furniture.
- Rigmob - http://www.rigmob.ro - produces living room, bedroom, kitchen and other furniture in modern styles.

A list of furniture manufacturers can be found at the website of the Furniture Manufacturers Association - http://www.apmr.org.

Trends in production

The furniture industry lost 9% of its personnel in 2008, a trend that continued into the first half of 2009, when furniture manufacturers lost 16,300 employees. However, these measures were due to financial difficulties, rather than increased efficiencies due to technical advances. Production is well down in 2009 – 25% in the first half of the year. Most of the decrease has come from falling domestic sales, but exports are also well down.

Opportunities and threats

+ The domestic market is increasingly dominated by furniture imports, despite the strength of the domestic industry. This will continue to provide opportunities for exporters from developing countries, particularly as Romania has one of the lowest per capita rates of consumption.
+ Romanian consumers are looking outwards to experience new designs and fashions, so opportunities exist for higher quality, added value product, rather than low cost product, which already is supplied by some local producers.
+ Domestic manufacturers are struggling with the global economic downturn and will be interested in talking to producers from other countries. They want to add new designs to their ranges to maintain their presence in the domestic market as well as helping them to compete internationally. They recognise that including products from other countries can assist their business prospects.

Many exporters will also be viewing the opportunities available on the Romanian market. Any of these trends can equally be an opportunity for one exporter but a threat to another. Buyers are not always loyal to specific suppliers, so you could lose out to a supplier from your own country or another developing country.

More information on opportunities and threats can be found in Chapter 7 of the CBI market survey 'The domestic furniture market in the EU'.

2 Trade channels for market entry

There has been a significant influx of international furniture retailers in recent years, but despite this small independent retailers dominate this market. Many manufacturers also act as wholesalers and retailers. The manufacturing sector is strong and they have linkages throughout most market segments.

Independent retailers will be receptive to products from exporters from developing countries. They will usually buy from a wholesaler or importer. Hence this channel will be the best route for market entry. Agents do not operate widely in Romania.

Interesting wholesalers and importers include:

- Antares Romania - http://www.scaune.ro - located in Cluj, specialises in chairs and office chairs, both upholstered and non-upholstered. It has an online shop.
- Mobexel - http://www.mobexel.com - located in Constanta, is a wholesaler of different styles of furniture, selling wooden tables, leather sofas and upholstered chairs.
- Euromobdesign - http://www.euromobdesign.ro - located in Bucharest, is an importer and wholesaler of a wide range of furniture including sofas, domestic furniture, office furniture and school furniture.
- Smartrade - http://www.smartrade.ro - located in Bucharest, imports wooden furniture from different countries. It specialises in oak or pine furniture.

Some furniture importers can be found at http://www.timbermarket.ro/engleza/detalii_produse.php?categorie=mobilier. Wholesalers can be found at http://www.romanian-companies.ro.

Retail trade

According to market research specialist Mintel, there are over 1,000 retail outlets selling furniture in the country. Most of the leading domestic specialist chains are also manufacturers. They include Mobexpert - http://www.mobexpert.ro - with 28 outlets, Elvila - http://www.elvila.ro - with 23 outlets and Staer - http://www.staer.ro - with 27 outlets. The leading international furniture specialists in Romania include IKEA - http://www.ikea.ro - with a single store in Bucharest, and the Austrian retailer Kika -http://www.kika.ro – also with a single store in Bucharest.

The non-specialist sector is growing, with furniture now being sold through some DIY chains such as Praktiker and some hypermarkets such as Carrefour, Metro and Real. Mail order and the Internet are growing sales channels, but furniture sales are currently quite low.

Price structure

Throughout the furniture trade different prices and margins apply. Retailers typically add a margin of between 80-120% to wholesale prices, excluding VAT of 19%. Wholesale margins are much lower. The margin figures quoted in Table 2.1 are calculated as a percentage of the price purchased from whom they buy in the chain, not as a percentage of the CIF price.

Table 2.1 Overview of margins in domestic furniture

	Low	High
Importers/wholesalers' margins	20%	35%
Agents' margins	10%	15%
Retailers' margins	80%	100%
Mark-up CIF price - Consumer price	**2.6**	**3.5**

More information can be found in Chapter 3.2 of the CBI market survey 'The domestic furniture market in the EU'.

More information on trade structure and business contacts can be found at the Trade Promotion Centre - http://www.traderom.ro, at the Romanian Business Digest - http://rbd.doingbusiness.ro – and at the Chambers of Commerce – http://www.ccir.ro. You can find wholesale prospects by accessing http://www.romanian-companies.ro. A list of furniture companies can be found by accessing http://www.bizoo.ro/catalog-firme/mobila-accesorii-cat-707.html.

3 Trade: imports and exports

Imports

In 2008, Romanian imports of domestic furniture were valued at € 321 million or 153 thousand tonnes. Out of the 27 EU countries, Romania was ranked eighth smallest in value and thirteenth smallest in volume, and as such was regarded as a small-sized country for domestic furniture imports. This was closest in value to Ireland and Hungary and similar in volume to Portugal and Finland.

Between 2004 and 2008, Romanian imports increased by an average of 25% per annum in value (from € 132 million) and increased by 14% in volume (from 90 thousand tonnes). Italy and Poland, followed by China and Turkey were the major sources of imports.

Exports were over three times higher than the value of imports, and more than double the volume of imports in 2008. Imports were increasing more quickly than exports in value and import volumes were increasing while export volumes were decreasing. The same period has seen an increase in domestic furniture production, and an above average annual increase in consumption. Domestic production is well represented in the market, but imports are taking an increasing market share.

By source, around 29% of Romanian imports, valued at € 93 million or 48 thousand tonnes, came from developing countries in 2008 (31% by volume). This proportion was 12% in 2004 (11% by volume). China accounted for 48% of all developing country supplies by value in 2008, followed by Turkey (32%) and Moldova (5.7%). Serbia, Vietnam and Indonesia were also important suppliers. While China's supplies increased by an annual average of 83% since 2004, supplies from Turkey increased by 30%. Supplies from all other leading developing country suppliers also increased over the period.

By product group, Romanian imports by value were sub-divided as follows:
- The leading two groups were furniture parts with 28% of value and 23% of volume (€ 89 million or 35 thousand tonnes) and non-upholstered seating with 17% of value and 15% of volume (€ 56 million or 23 thousand tonnes).
- Dining/living room furniture represented 14% of value and 18% of volume (€ 45 million or 28 thousand tonnes) and other furniture accounted for 13% of value and 16% of volume (€ 43 million or 24 thousand tonnes).
- The remainder was taken up as follows: bedroom furniture (€ 28 million), upholstered seating (€ 27 million), kitchen furniture (€ 25 million) and rattan furniture (€ 8 million).

Exports
Domestic furniture exports from Romania were valued at € 1 billion in 2008, representing 355 thousand tonnes. Over 30% of this was furniture parts. Half of all exports were destined for Italy, France and Germany. Between 2004 and 2008, the average annual increase in exports was 6.8% by value but there was a 2.5% decrease by volume. There may be some re-exporting from Romania, as exports were close to the value of declared domestic production.

Opportunities and threats
+ The main growth opportunities for developing country suppliers are in furniture parts and both upholstered and non-upholstered seating. All have seen impressive DC growth in recent years.
+ Other notable opportunities are in items for kitchen and bedroom furniture.
- All product groups have shown strong growth over the period, with the exception of other furniture, although detailed figures were not available. Dining/living room furniture imports were also below average.

See Chapter 7 of the CBI market survey 'The domestic furniture market in the EU' for more information on opportunities and threats.

Useful sources
- EU Expanding Exports Helpdesk - http://exporthelp.europa.eu/
- Eurostat – official statistical office of the EU - http://epp.eurostat.ec.europa.eu;
- Understanding eurostat: Quick guide to easy comext ➔ http://www.eds-destatis.de/en/database/download/Handbook_Comext_Database.pdf

4 Price developments

Consumer prices
Consumer prices of domestic furniture in Romania were the lowest in the EU by some distance. In terms of purchasing power, prices in Romania were below all others, but the closest countries were Latvia and Bulgaria.

According to Eurostat, furniture retail prices increased by 12.8% between 2004 and 2008, but by 2.5% in 2008, indicating the rate of increase was slowing. This compared to furniture retail price increases of 6.7% for the EU as a whole, but 2.6% for 2008. This also compares with the all-price index in Romania, which was 29% higher in 2008 than in 2004. Hence furniture price increases in Romania were well above the EU average but well below the all-price index in Romania.

Import prices

Although the industry does not make price agreements based on tonnage, it is useful to see how import prices compare. There is an upward trend in import prices since 2004. As Table 4.1 highlights, all import prices were increasing. However, all import prices to Romania were below the EU average, but they may converge towards the average soon. Please note these trends should be interpreted with care, as changes in imports do not always reflect changes in demand.

Table 4.1 Development in Romanian average import values/prices, 2004 – 2008, €

	2004 ave price per '000 tonnes	2006 ave price per '000 tonnes	2008 ave price per '000 tonnes	ave. Annual % change
Total imports	1.46	1.76	2.09	9.4
Intra-EU	1.47	1.73	2.19	10.5
Developing countries	1.60	1.90	1.94	4.9

Source: Eurostat (2009)

The website of Romanian National Statistics - http://www.insse.ro - publishes harmonised price indices. Retail prices of furniture can be found at leading retailers Staer - http://www.staer.ro, Elvila - http://www.elvila.ro - and IKEA - http://www.ikea.ro. In a price comparison of the same IKEA products in 18 EU countries, Romania ranked fifth highest, despite the fact that prices generally are least expensive. See Chapter 5 of the CBI survey 'The domestic furniture market in the EU' for more details.

5 Market access requirements

As a manufacturer in a developing country preparing to access Romania, you should be aware of the market access requirements of your trading partners and the Romanian government. For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select domestic furniture and Romania in the category search, click on the search button and click on market access requirements.

Detailed information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packit.htm

Information on tariffs and quota can be found at http://exporthelp.europa.eu/

6 Doing business

Information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Romania, visit the following websites:

- The Romanian Furniture Manufacturer's Association - http://www.apmr.org.
- A furniture portal in Romania is http://www.mobila.ro.
- The National Wood Institute - http://www.inl.ro.
- The Bucharest International Furniture Exhibition - http://www.bife.ro - takes place in September each year in Bucharest and is the principle Romanian furniture trade fair. The National Furniture Fair - http://www.expo-transilvania.ro.

- Mobila - http://www.apmr.eu - is the main furniture trade publication. Casa Lux - http://www.casalux.ro - is an interior design magazine.
- Ziarul Financiar - http://www.zf.ro - and Business Review Magazine – http://www.businessmagazin.ro - are good sources of business information.

This survey was compiled for CBI by ***Searce***