THE EXPORT OF FURNITURE FROM ROMANIA AT PRESENT

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Abstract:
The export of furniture always represented a profitable domain for Romania. The current research provides a pertinent analysis with numbers for the situation of the export in the furniture industry. The article proposes a few important measures that should be considered by the Romanian manufacturers of furniture in the further period, in order to reestablish the export activity and hence the wood processing industry.

Key words: furniture, export, evolution, Romania, industry.

1. Introduction

Furniture exports of Romania have always represented a domain with a great impact on the commercial balance, through the generated financial flows. Before 1989, Romania succeeded to place itself in the first ten countries for furniture exports on different external markets, as a consequence of the quality implemented in this industry.

After 1990, when appeared a lot of economical and political changes in Romania and also due to some contextual factors in Eastern and Central Europe, our country lost its position - seventh place in the world for furniture exports and tenth place for furniture production (Stanciu, 2000, p. 39).

It is important to notice that the demand for furniture items is influenced by fluctuations in the standard of living, because people buy these products when their incomes are high. Taking into account these aspects, those who produce furniture in Romania must be present on those markets where the purchasing power is relatively high and with an ascendant tendency.

2. Romanian market of furniture

Looking closely to the evolution registered by the Romanian furniture exports, we can say that national companies entered different markets characterized by a high level of quality, low selling prices, having the opportunity to work in a highly competitive environment, react rapidly to changes that appear in the sector (related to the demand structure, preferences, evolution and tendencies), to cultural differences and prove that they are capable to survive even if the conditions are different than those on national market.

Romanian companies have to enter more than one external market, in order to protect themselves in the case that a certain market confronts with uncertainty or instability. Following this strategy, the firms are not in danger and even succeed to increase their productivity and profits.

As ***a research methodology***, we have used analysis of statistical data gathered from official registrations and also comparison of these figures, regarded as an evolution in time of production and exports of furniture in Romania, after 1989.

The evolution of Romanian exports of furniture after 1989 is illustrated in table 1:

Table 1

Romanian export of furniture items after 1989

No.	Indicator	Monetary units	1989	1992	1998	2004	2010
1	Furniture production	$ Mil.	665	432	530	1121	2246
2	Furniture exports	$ Mil.	471	359	443	1022	1590
3	Furniture exports/ Furniture production x 100	%	71	83	84	91	71

Source: data processed on the basis of Statistical Yearbook, 2004 and 2010 and average rate of exchange provided by BNR

In order to have a better image on the evolution of furniture exportation after 1989, we will analyze from different perspectives data from table 1. As we can easily observe, Romanian furniture exports fluctuated a lot during 1989 and 2010.

We may explain these facts by a continuous liberalization of markets that made competition more intense and survival more difficult for companies that were not prepared for achieving high standards of quality.

On the other hand, we notice that a little part of production goes on the internal market, about a third part. This reality shows the high potential of this industry for our country, so this domain should become a very important component of the long-term development strategy of Romania.

Evolution of production of furniture in Romania after 1989 has the following explanations:

a) Changes in the structure of great companies of wood exploitation that existed before 1989. That led to a reduction in the production facilities at a level of 48% between 1989 and 1999, according to data provided by Association of Furniture Producers in Romania at the Conference *Industrial and business cooperation European Union – Romania*, which took place in Bucharest, on 6-7 September 1999.

b) After 1998, there was a lack of quality raw materials, as a consequence of liberalization of exports for wood products, according to agreements signed by Romania in that period, regarding to commercial flows within the European Union.

c) Starting with the end of 1997, price for furniture items was liberalized, it was so established at a level of 5-6 times higher and that contributed to an increase of exportation of products with a low level of processing and decreased the exportation of items highly processed. In few word, there increased exportation of wood instead of furniture and this fact created instability in the commercial balance of our country.

d) Lack of investments in this sector was a determining factor for a low productivity and great electricity consumption, especially before 2000.

e) Furniture industry is an important consumer of utilities like water, electrical energy, gas, and so on and the high prices of these services led to an increase of cost and final prices for furniture items. Producers were in the situation to reduce their profit margins in order to survive and maintain on the market.

One of the most important partners of Romania for exports of furniture before 1989 was United States of America. The value of furniture exported in this region reached the level of about 30-35 $ millions yearly, in that period, but after 1990, this value decreased a lot, being only 3 $ millions. This dramatically drop was a consequence of reduction in furniture production, lack of diversity, intense competition from Chinese operators on the furniture market, but also from European ones.

USA represents a very important market for furniture industry in our country. The advantages that producers must take into consideration are the following ones: Americans have a greater purchasing power and so they can afford to change their furniture more often. The American market is one of great dimensions, consisted from more than 250 millions of potential buyers.

In order to satisfy the needs and requirements of these consumers, Romanian furniture producers must consider that at the price of the product will also be added the transportation costs by sea, but also the packaging that is specific for this kind of distribution and increases the final cost. The promotional costs are also high, if they want to increase their notoriety in a world often dominated by the great multinationals.

To reduce the cost, the Romanian producers have to sign agreements and partnerships with other companies that bring their products abroad at lower costs, respecting the quality and offer more services for external consumers. Competition with Asian companies is a game in which they offer high quality at a low price, so the rivalry is very intense.

Other important competitors on the American market come from Canada and Mexico that have a lot of advantages deriving from North American Free Trade Agreement (NAFTA), applied from 1994, similar to European Economic Area, in terms of custom duties and facilities offered in comparison with other countries that are not members of it.

Romanian furniture manufacturers must take into consideration the architecture of American houses at present in order to adjust the products to these aspects and also to the tendencies on the market and preferences related to the furniture style, because this market is very dynamic.

In collaboration with local partners, Romanian companies have to attend or even organize exhibits in domain in order to present their products, offer free services like transportation, assembling, advices for integrate furniture in the house in a stylish manner and others. Practicing promotional prices and cut prices is a must in a country where people hunt these offers in different periods of year.

Romanian producers have to be familiar with consumers' behavior from this market, to make decisions in order to influence the process of buying furniture items. "Consumer goods require more adaptations, being influenced by cultural differences and economic conditions of the target market" (Barbu, 2011, p.107). Romanians established in USA are also a segment that must be considered as a chance to increase sales.

Furniture manufacturers have to know very well the geographical area where they export and the climacteric factors because function of these, they choose certain materials specific for those conditions, so the quality shouldn't suffer. Other partners that can be used for increasing sales and efficiency are house builders from USA, which might represent an intermediate between sellers and buyers and offer precious information regarding the trend in colors, materials and other components used for producing furniture items. The atmosphere created by exporters when trying to convince the American consumer to buy their products is also very important.

If before 1989, USA was the most important partner for our furniture exports, nowadays, the countries in which we export most of internal production are from Europe. According to Romanian Centre for Foreign investments and Commerce Promotion (2012), the main target markets are Germany, France and Italy and for imports, Romania works with Italy, China, Poland, Germany, Turkey, Hungary or France.

The ratio between exports and production decreased to 71% in 2010 from 91% in 2004 (table 1). The values from table 1 were transformed in the same monetary unit ($ mill.), because the data we found were in euro or RON. But the decline in the percentage reveals that internal market has a lower potential, in conditions of the economic crisis that affected a lot the purchasing power of Romanians.

The most part of household expenses in Romania is dominated by food and payment of utilities, so people don't change very often their furniture, buying it only when they make a family or something is very old and broken. But situation is different in the other countries from European Union, where the standard of living is higher and incomes are bigger, even if there is also crisis.

Romanian furniture exporters must know very well the legislation in the countries where they export, especially regarding protection of environment and consumers, because these facts influence the materials they use in production, like paint, wood, or other chemical solutions, that don't have to affect health. We cannot talk about furniture items export, without taking into account the international economic context in which this activity develops. According to data gathered from International Trade Center, situation of exports in 2011 was the following (table 2).

Table 2

International exports of wood furniture– 2011

Top ten exporters 2011	**Value of exports, $ billions**
1. China	11.317
2. Germany	4.619
3. Italy	3.977
4. Vietnam	2.685
5. Poland	2.447
6. Malaysia	1.629
7. USA	1.151
8. Denmark	1.130
9. Sweden	1.041
10. Canada	1.021
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14. Romania	0.678
Total exports worldwide	**42.485**

Source: International Trade Center data, 2012

Analyzing data from different sources (National Institute for Statistics, International Trade Center or different studies of Furniture Producers

Association in Romania), we observed some variations between figures, and the explanation consisting in what these exports are structured (wood furniture, wood chairs or other bed items).

For example, statistics from table 2 reveals only wood furniture, not other items from wood like chair, for example. In 2011, this component (wood chairs) represented 0.438 % billions, almost the same as wood furniture. So, we explain the variation from data from table 1 and 2. Table 1 includes all types of furniture items that Romania produces and exports abroad.

Romania places itself on 14-th position worldwide, an important position we may say, reaching about 1.6% from the total, in increase compared to 2010, when it was 1.48%. If we see who the top ten exporters are, we understand that this place is very important. China, Germany, Italy, USA have a great potential, both financial and technological.

They gained access to modern technologies that increased their productivity, efficiency and profits, helping them to extend on external markets in a larger proportion than Romania. Asian countries (China, Vietnam or Malaysia) compete especially by high quality and low prices of furniture items, and in order to survive, Romanian producers had to diminish their profit margins. When we analyze top ten exporters on wood chair market, Romania is on 7-th position (table 3).

Table 3

International exports of wood chairs – 2011

Top ten exporters 2011	**Value of exports, $ billions**
1. China	6.052
2. Poland	2.282
3. Italy	1.713
4. Vietnam	0.720
5. Germany	0.649
6. USA	0.598
7. Romania	0.438
8. Malaysia	0.397
9. Belgium	0.270
10. Canada	0.259
Total exports worldwide	**17.098**

Source: International Trade Center data, 2012

So, Romania exports wood chairs at a level of almost 2.6% from the total exports in the world. China maintains itself on the first position and Germany falls on the 5-th place.

On imports' market, Romania places on the first 11 providers of wood furniture, according to data offered by the most important importers in the world (USA, Germany, France, Great Britain, Japan, Switzerland, Canada, Austria, The Netherlands and Belgium).

The most important positions of Romania among suppliers for each of the top ten importers are represented by Austria (6-th place), Belgium (9) or The Netherlands (10). Though, the most important market share is in France (2.7%), followed by Germany, where Romania has 2.3% from the market.

The top ten importers in 2011 are illustrated in table 4, where we can observe that these represent almost 62% from the total imports of wood furniture.

Table 4

Imports of wood furniture in 2011

Top ten importers 2011	Value of imports, $ billions
1. USA	9.278
2. Germany	2.999
3. France	2.559
4. Great Britain	2.177
5. Japan	1.676
6. Switzerland	1.461
7. Canada	1.316
8. Austria	1.206
9. The Netherlands	1.029
10. Belgium	1.018
Total imports worldwide	**39.782**

Source: International Trade Center data, 2012

Regarding the importers on wood chairs, Romania places on a seventh position, on markets from Holland (10.2%), France (6.2%), Belgium (5.5%), Switzerland (4%) or Germany (3.6%). These countries are in top ten importers of wood chairs, so the sales registered of our country are important on this niche.

The situation on wood chairs market is presented by International Trade Center in table 5.

Table 5

Imports of wood chairs in 2011

Top ten importers 2011	Value of imports, $ billions
1. USA	4.057
2. Germany	1.907
3. France	1.259
4. Great Britain	1.037
5. Canada	0.900
6. Japan	0.672
7. Australia	0.571
8. Switzerland	0.511
9. Belgium	0.452
10. The Netherlands	0.451
Total imports worldwide	**17.278**

Source: International Trade Center data, 2012

The most fearful competitors of Romania on these markets, even we talk about wood furniture or wood chairs, are Asian countries (China, India, Vietnam, Malaysia, Indonesia), and members of European Union like Germany, Poland or Italy, the latter focusing mainly on design and style, two aspects important nowadays for the consumers that become more demanding.

The most important players on the Romanian market in the furniture industry are: Aramis Invest – with a turnover of 109.16 millions of Euro, Italsofa – 70.95 millions of Euro, Taparo – 55.65 millions of Euro, Cotta International – 46.18 millions of Euro, Grup Parisot – 41.53 millions of Euro.

All of these firms as well as the other ones in top 20 (like Casa Rusu, Lemet, Mobexpert, Elvila) registered a great increase of their figures in 2011, compared to 2010. For example, Aramis Invest succeeded to increase its turnover with 40.5%, Cotta International with 9.1%, Ecolor with 36.1%. Aramis has almost 3000 employees and is a local supplier for IKEA, this being an explanation for its position and results.

Cotta International is the main supplier for KIKA in Romania, so these partnerships with big retailers in the furniture industry is the key to succeed. Small companies have no chance in a world dominated by big operators, low prices and high quality of furniture offered to more demanding buyers.

3. Conclusions

We can appreciate that the potential of Romanian market is high, but producers have to rapidly adjust their offer to the requirements of consumers abroad, that buy furniture items not just for its utility, but also for the design, atmosphere, style, prestige and so on.

All these new changes in consumers' behavior must be considered, in order to be able to create furniture items that should be competitive, qualitative and confront the offer of the giants in furniture industry worldwide.

The most important conclusion of the analysis is related to the partnerships and agreements that Romanian companies should set, for survive and evolve on this market, with great potential for exports, where consumers have a greater purchasing power than local buyers in our country.

In order to increase competitiveness on the external markets, Romanian producers may consider: *an intense promotion*, *the expansion of the free services offered* for buying furniture items (transportation, financial facilities, guarantees, etc.), *a better analysis on the buying process and differences between the behavior of people* (youngsters or older people) when they decide to replace the old furniture or just a part of it that is broken, for example.

Furniture producers have to get *a complete profile of the buyer*, from different perspective, in order to create better promotional campaigns and convince him to buy their products, not others. *Economical factors* are very important, because the incomes directly influence the buying process on this kind of market or the interest rate that allow people to contract a loan from a bank.

Cultural factors are also an important element to be considered; for example, families decide together what furniture articles to buy, what design, what budget to expense and so on. This is not an individual decision, in most cases, so producers must consider it. Seriousness in fulfilling contractual provisions is compulsory for Romanians companies, because foreign partners are more demanding and the competition on this dynamic market is very intense.

All these aspects make the difference between success or failure on the international market of furniture. Producers from Romania have to invest or attract investors in order to upgrade their technologies and become more competitive, so that they can increase their profits and raise the exports.

Perspectives for 2012 are not very good, because construction sector suffered a lot during the last years and imports from China or Poland are realized at very low prices, affecting the Romanian producers who try to survive, even reducing their profits and selling at a price not much higher than costs.

Even if on the total market of Romania, exports still register an increase, situation is more difficult for small and medium enterprises in the field, because they are not encouraged by state to produce and export. So, the government could take into account a policy to sustain the furniture industry by lowering taxes and offering some facilities for exporters.

Not only exports should be stimulated, but also the internal consumption, because local consumers are not an attractive segment for Romanian companies in the industry. Firms must apply different strategies for the internal market, because Romanians have a reduced purchasing power, compared to other people.

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