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Support to Export Promotion and Investment Attraction in the Republic of Moldova

ROMANIAN APPAREL MARKET

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INTRODUCTION

The objective of this report is to offer exporters from Moldova information on apparel market from Romania.

The general objective of the study is to identify and assess apparel export opportunities on the Romanian market. Specific objectives of the study are:

- Introduce the market and consumption trends;
- Present the distribution system;
- Analyse foreign trade of Romania with the studied products;
- Present price trends;
- Present market access requirements;
- Identify market opportunities and constraints;

The results of the study can be used by Moldovan producers as a guiding material to develop marketing strategies for the Romanian market. Also the results can indicate the priority measures to bust sales and satisfy market demand.

Methodology

The methodology applied in this study corresponds with methodologies used in the academic circles and consulting services. Hence, the study is based mainly on primary information needed to identify and evaluate the situation on the Romanian apparel market.

Data collection

This study is based on primary information as well as on secondary information. The secondary information was collected from the very beginning of the study, in order to identify market features. Sources of secondary information were data from the National Institute of Statistics, the Patronage of Apparel Producers, the Ministry of Economy of Romania, studies previously made by market monitoring companies- Euromonitor and GfK-, reports and articles in mass media, etc. In order to collect the primary information a number of insightful interviews were made with the producers and distributors of similar products on the Romanian market.

Data processing and analysis

The collected information, both secondary and primary was thoroughly studied and statistical data contributed to identifying Romanian apparel market trends and its development. While processing information a special attention was paid to the quality of interviews made, thus trying to characterize as good as possible the market and the opinions of its representatives.



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Barriers and limits of the study

In the process of collecting and analysing data were identified several impediments. First of all statistical data from different information sources do not correspond. Moreover, in several cases data can not be found or various sources offer different data.

Another impediment is the refusal of sector representatives to offer detailed information, which according to them is secret. Some companies even though participated at interviews, refused to answer to questions like: products sale structure, working conditions with suppliers, development perspectives, etc.



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1. CONSUMPTION

Statistical data from this chapter have been collected from Eurostat, National Institute of Statistics, relevant mass media and Euromonitor publications. This chapter describes the Romanian apparel market, its structure, segmentation and trends.

1.1 Market volume

Between 2003-2007 apparel consumption in Romania increased by 6.8%. In 2007 the market reached €3875 million in volume, of which 83% (€3210 million) – outerwear, and 17% (€665 million) – lingerie products.

Romania is on the 14th place among the EU countries in consumption of outerwear and on the 13th place – consumption of lingerie products. The per capita apparel consumption in 2007 amounted to €226, much less the European average representing 37% of the European average consumption.

The increase of apparel consumption is directly influenced by income growth of the population. During the last 5 years the average share of expenditures for purchasing clothes in the household budget was relative stable, within the limits of 6-6.2%. Also it is important to mention that despite the population's income growth, consumers tend to buy more expensive products and well known brands, and not more clothes. According to a study made by the GfK German company in 19 countries from Europe and the USA, Romanian consumers are most interested in purchasing brand products. More than a half of the Romanian population (52%) buys clothes of well known brands, being on the 1st place among countries analysed by the GfK, followed by Greeks (51%) and Italians (50%). In Spain, France, Belgium the share of consumers choosing products based on the notoriety of the brand are ranked between 21-28%. Another market feature is less loyalty for brands noticed in the behaviour of some consumers, who usually buy both 'luxurious' expensive products and cheap products.

Table 1.1 Apparel consumption in Romania, 2003-2007, million €

	2003	2005	2007	Average annual increase in %	Per capita consumption 2007- in €
Total apparel,	3039	3468	3875	6,88	226
of which:					
apparel	467	546	665	10,60	77
body lingerie	2572	2922	3210	6,20	149

Source: Eurostat, National Institute of Statistics, Euromonitor

With a 48% share in consumption, womensweare represent an important category in this product group. Between 2003-2007 the consumption of womensweare in Romania increased by 7.63% amounting €1553 thousand. During the same period mensweare consumption increased by 5.15%, accounting for €1106 thousand.

Between 2003-2007 the consumption of childrensweare increased by 5.45%, accounting for €447,000. Clothes for newborns is the best product on the market. This market segment is supported by purchases of generous presents, especially for the new-borns, this being a very popular gift. Consumers are small families which spend a lot of money for children clothes. At the same time children have a significant



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influence on the style and quantity of cloths they want in their wardrobe. These are the key factors that stimulate the demand.

Table 1.2 Apparel consumption in Romania, 2003-2007, million €

	2003	2005	2007	Average annual increase
Total apparel,	2572	2922	3210	6,20
of which:				
Womensware	1190	1386	1553	7,63
Mensware	917	1024	1106	5,15
Childrenswear	367	413	447	5,45
Accessories for cloths	98	99	104	1,53

In the consumption of body lingerie (undershorts, shirts), home clothes (robes, etc.) and night cloths (pajamas, bed gowns, etc.) accounts for 47%. Between 2003-2007 the consumption of the aforementioned products increased by 11.21%. Other product categories also registered a growth during the analysed period.

Table 1.3 Apparel consumption in Romania, 2003-2007, million €

	2003	2005	2007	Average annual increase
Total lenjerie,	467	546	665	10,60
of which:				
Home/night clothes	214	251	310	11,21
Corsets	108	126	157	11,34
Bath cloths	29	31	35	5,17
Stockings/socks	116	138	163	10,13

1.2 Market segmentation

Apparel market segmentation criteria include the demographic factors, attitude towards fashion, occupation, special circumstances and life style, economic factors, brand notoriety, quality/price ratio, fashion trends and development, climate and environment.

Demographic segmentation

The importance of demographic segmentation results from different attitude towards clothes specific for various age group consumers.

In Romania the number of children of up to 15 years of age is much higher than adults of over 65 years old. The share of 'dependent' population in Romania is around 30% compared to Europe, the ratio of old age adults is very small, partially due to a reduced hope of life.



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Table 1.4 Population trends in Romania, 2003-2010 (in'000)

	2003	2005	2007	2010 forecast
Men	10628	10562	10499	10401
Women	11145	11097	11056	10969
Total	21773	21659	21555	21370
Age groups				
0-14	3708	3437	3319	3251
15-64	14975	15047	15038	14963,00
65+	3090	3175	3198	3156

Source : Eurostat

In Romania the birth rate of the population is decreasing and there is an aging tendency of the population. The category of persons under 20 years decreases. Garments for persons of 40+ have grown considerably. It is noticed that the population becomes more mature, visibly in the number of citizens of over 55 years of age.

Another important demographic change is the increase of the number of households consisting of one and two persons. Persons in such households do not have many family obligations and have more free time. Besides that they have rather high incomes. Both factors stimulate the apparel consumption.

At present consumer's preferences can be characterized as very dynamic, the cultural environment changing very rapidly. A new trend is buying different clothes for different activities and occasions.

The childrenswear buyer is an adult in most cases, usually the mother of the child. Her knowledge about fashion and general buyer's behaviour has a dominant long term influence on purchasing childrenswear. The social position of the child's family has an important role while making such decisions. As there are more employed women, smaller families and parental obligations, it can be supposed that there is a higher level of expenses per capita for children compared to previous periods; while growing boys and girls have more and more opinions regarding clothes they want to wear. These developments have several stages with various influences from the exterior. The popularity of fashionable clothes for children increases. Almost all designers and quality fashion retailers launch their own model for children. The higher purchasing power is for children of 9-14 years old, which are more independent financially and fashion knowledgeable, and are strongly influenced by the pop celebrities and favourite sport idols.

The market for men (15+) can be divided into two big groups : younger buyers who tend to be more preoccupied of image and fashion, and other buyers who concentrate more on quality, value, practicality and durability. Despite that it is not easy to distinguish these groups by age. Fashion is important for many consumers of 30-40 years old, and quality becomes a criterion of increasing importance for younger consumers.

Apparel market for women is, in general, very essential and rapidly grows especially within important groups – girls, young ladies for whom fashion is very important. Compared to men, women's expenditures increase with age. This is mainly because older women tend to buy more expensive and quality clothes, thus favouring a higher increase of consumption value compared to consumption



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volume. The garment market for women is not only bigger than men's market, but is also more dynamic and continuously grows. Generally women spend much more on clothes than men during their life.

Segmentation by type of product and activity

The garment market can be divided in several segments based on type of products combined with types of activities, resulting in a specific clothing style. Thus the following categories can be distinguished: official clothing, non-official, casual for free time (daily), for active sport.

The active sport segment will continue to influence the casual and non-official style apparel segments. The official style clothes tend to lose their position on the market, while the non-official elegant style apparel segment will continue to be influenced by the work place environment. This is proved by the success of the cotton trousers, including the re-gained popularity of jeans. The high demand for textile products such as sport shirts without collar, T-shirts, jackets, pullovers, etc. illustrates the popularity of the non-official clothing.

The children apparel market is also sometimes influenced by fashion, just as the adult apparel market. During the last years a re-orientation towards purchasing sport and leisure style clothes for boys and girls was noticed, most of it falling under the category of non-official style clothes for children.

Segmentation by attitude towards fashion and life style

Fashion elements are: colour, design, exclusivity and style. At present the consumer wants to be perceived as an independent person with unique life style. The fashion apparel segment (high prices) has an individualized function. As a result the consumer demand becomes more specific. The character, ideas and attitude towards life will be expressed through clothes style, which is an expression of personality. Consumers set their own consumption priorities, according to their life style. The increasing tendency towards individualized consumption will bust the demand for goods of an exhaustive value. People do think about price when they buy such goods, while for goods of a lower priority price becomes an important criterion.

In the fashion world there are several important concepts, one of which is the modern mentality, i.e. the level in which new fashion trends are quickly accepted by the consumers. This concept can classify products in: avangardist, innovative, current, well known and old-fashioned. Another important concept in fashion is culture – the attitude the consumer has towards culture types. A consumer can choose to conform to a dominant culture or he/she can choose the opposite (contrary to the traditional culture). This concept helps to distinguish the following product types: extreme, different, amusing, stylish, chique.

In general the opinion regarding what is beautiful and what is ugly is not so much determined by the macroeconomic factors such as age, income, profession and / or religion, but much more by perception of fashion and culture.

The variety in life styles and subcultures amplified the apparel market fragmentation. It became rather difficult to predict consumer's behaviour while purchasing clothing.

The consequence of the aforementioned fact is that the consumer expects retailers to have a clear image. In order to satisfy the consumer demands, many apparel



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stores tend to improve, while large retailers and specialized apparel stores which offer discounts start to maintain their operation at a low price.

In 2003 Mintel introduced (European Consumer Trends) ten types of consumers based on commercial practices, demographic features and life styles. These types are described below:

- **The discerning** - „It is worth paying more for quality goods”
- **Label seekers** - „A brand designer represents the image of a person”
- **Stylish** - „I have a very good sense of style”
- **Fashion conscious** - „I like to follow the latest fashion trends”
- **Well dressed** - „It is important for me to be well dressed”
- **Bargain hunters** - „I am a bargain hunter”
- **Shopaholic** - „I really enjoy shopping clothes ”
- **Practical** - „I buy cloths for comfort, not for style”
- **Sport** - „I practice sports or exercise at least once a week”
- **Individualist** - „I like to be distinguished from the crowd”

Segmentation according to price / quality ratio

Quality is an essential requirement for the largest sectors of the apparel market. Several aspects are important : the quality must be superior, not be influenced by time, closely related to brand and design products. Among quality requirements are: apparel distinction and comfort. The general tendency to buy superior quality and expensive products developed in the recent years, however a more noteworthy tendency is that the consumer became price conscious and follows fashion trends and uses quality fabrics. For the consumer the key purchasing criterion is based on several segmentation criteria, such as attitude towards fashion and the price/quality ratio, etc., all of them being represented in the table below.

	Product criteria	Brands	Fashion criteria
Luxury segment with superior prices	Limited collections, made with a special caution ; sometimes hand made, fabrics of superior quality Designer name/ brand reflects luxury and fashionable garments	Dolce & Gabbana, Prada, Giorgio Armani, Donna Karan	Highly distinguished collections Fabrics and art work Set trends in fashion
Segment with prices higher than average	Collections are produced after auction; additional attention is given to matching and accessories Brand products; good quality fabrics; large field in design work	Max Mara, Chine, Hugo Boss, Blumarine, Marni, Strenesse, Marc Cain	Wide variety of styles and fabric Style and matching are very important The product is in pace with the latest fashion trends
Segment with average prices	Collections are produced after the auction; average quality fabrics Matching according to the latest fashion trends or in classical manner; brand products	French Connection, In-wear, Benetton, S. Oliver, Esprit, Mexx	A good matching is important Well known abroad by brand name
Segment with prices lower than average	Produced in larger quantities for a lower price; basic styles, less changes in models, basic matching Materials of an average quality/ less modern Produced in large quantities	Marci private, ca C&A, Promod, WE, Marks & Spencer, Hema, Etam Marci private, ca	Collections that match the existent fashion trends



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	for a lower price; less attention to matching and models Average quality/ highly distinguished	Hennes & Mauritz, Zara, Mango, Topshop	High Fashion which coincides with trends
Segment with low or very low prices	Average of inferior quality Special auctions / offers Cheap products Produced in large quantities	Lack of brands	Standard products without specific fashion requirements

	Shop varieties	Promotion	Price criteria
Luxury segment with superior prices	Designer shop Special department within large stores Shop with exclusive retail sales	Promotion through catwalk fairs and fashion magazines	Slightly high or low price
Segment with prices superior than average	Independent shops Producers' shops Supermarkets	Publicity in fashion magazines	Accept price for fashion and brand collections
Segment with average prices	Independent shops Supermarkets Home shopping companies	Publicity in lifestyle and fashion magazines	To be marked the price sensibility threshold
Segment with prices inferior than average	Specialized shop in garments from one trade network Variety of shops Specialized apparel shop from one trade network Variety of shops Retailers	Publicity in lifestyle magazines, RTV, newspapers, billboards and door to door prospectuses Publicity in lifestyle magazines, billboards	Significant price Significant price
Segment with low or very low prices	Discounters Super- & hypermarkets Street shops	Publicity in newspapers and door to door prospectuses	Inferior prices

The Romanian market even though adapted rapidly to the European apparel market has some essential particularities. Hence the market is divided in 3 main segments: luxury, average and economy. Also brands from the average segment in West European countries are positioned in the luxury segment in Romania. Harmonizing Romanian segments to the European segments takes time, this process being mainly determined by the population purchasing power and consumer culture development.

1.3 Consumption patterns and trends

As it was mentioned earlier the demand is influenced by demographic and life style factors. Other secondary factors are: income and purchasing power, consumer's possibility to choose, fashion changes, brand perception and preferences, climate and environment.

Income and purchasing power

The elasticity of income spent for purchasing apparel is approximately equal to 1. A 1% increase of the consumer's income boosts up the demand by 1% as well. Nevertheless ascending incomes have a higher elasticity than the descending incomes.



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In Romania the apparel expenditures have a 6,2% share in the households budgets, it being relatively stable for the last 5 years. Therefore the consumption growth is mainly influenced by the income growth.

Consumer's choice priorities

Consumption patterns vary by culture, traditions and styles. There is a growing tendency among the old age consumers to pay cash money for dwellings, personal care, savings or free time, meaning that apparel retailers face a major structural change.

Brands

In a world of changes and uncertainty, brands offer us an ideological nation. All people struggle with a fundamental conflict between desire to be different and necessity to belong. Belonging to a group or a community offers an identity to a certain extent, which can tell certain things about the way we perceive ourselves and how others should perceive us.

Brands are important as:

- They give the confidence that the product is of good quality. The consumers know that they will not be disappointed and that the product is durable and qualitative.
- Only several brand characteristics determine the product. Consumers are aware that a brand should guarantee quality as well as outline the image that influences the life style.
- In Europe and the USA most consumers give appreciate well known brands of a better quality and of course pay more for the brand they prefer and which represents their image and life style.
- Consumers do not distinguish between brands of suppliers and brands of retailers. Anyone can convince the consumer with a brand slogan. Suppliers open their own shops (such as Nike, Levi's, Mexx, Boss etc.); retailers offer their own products (such as Zara, Gap, C&A, H&M etc.).
- The brand leadership bias appears most probably in Europe as well. Retailers aim to replace producers' brand with their own identities on the market, leaving the luxury market to designers' brands.

Climate

Generally speaking the climate has a considerable impact on the consumption, which tends to be more season oriented. Unexpected climate changes influence the consumers in their decision making. In hot weather, dry climate consumers prefer to buy less durable and cheaper clothes, this affecting the share of expenditures for apparel.

During cold winters a relatively high proportion of value is spend on heavy apparel, such as coats and winter jackets.

Fashion trends

Several general trends mentioned in this study are the following:

- Styles are better matched with slim silhouettes. Hence the fabric used in production becomes more important and there is a need to accomplish performance and aesthetical features of a fabric which is attractive for the consumer.



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- Consumers want a more simple, more flexible wardrobe and to spend less money. Thus people have less requirements, give preference to non-official style clothes, with more delicate silhouettes and fabric.
- There is a defined tendency for non-official stylish clothes.
- Teenagers care about brands and use them in sport clothes which is eventually transformed in street clothes (Nike, Fila, Adidas etc.).
- The apparel market for children is more and more influenced by fashion, once kids grow up and girls tend to buy designer's cloths.



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2. PRODUCTION

Statistical information from this chapter was sourced from Eurostat, National Institute of Statistics, Ministry of Economy, Patronage of Light Industry. As collected data differs from source to source, the main aspects pursued in this chapter refer to apparel sector trends and less to absolute numbers.

2.1 Production volume

The apparel industry is a traditional sector in the Romanian economy with an important role in the country's exports and employment.

In 2007 the production value (estimated at supplier's price) accounted for 7159 ml. RON (€2.02 bln.) and declined by 3.4% compared to 2006 year. The drop in production was mainly caused by poor sector organization. Out of 6200 companies in the sector only 3500 operate in Lohn system. Since Romania joined the EU the operational costs increased (salaries, utilities, etc.) thus reducing the company's profit margins, so that more than half of the existent companies were forced to work at zero profit or even in losses. The strengths of Romanian companies – cheap work force and proximity to EU- have been eliminated by countries with lower operation costs.

Romania with the most powerful apparel industry compared to other European states, still got affected by the EU integration effects. About 40% out of 4,000 micro-enterprises risked to close down, as a result of unfavourable market conditions. According to various estimations around 1/3 of Romanian apparel factories will disappear as a consequence of Lohn delocalization. The Romanian Lohn production volume dropped from 80% registered before joining the EU to 50% in 2008.

The total number of employees in the apparel sector as of January 2009 data decreased by 14% compared to January 2007, the average costs per employee increased by 38% during the same period of time.

In the industry structure the 'micro-enterprises' (1-9 employees) prevail with a share of 66%, SMEs (10-250 employees) – 31% and large enterprises – 3%. Also the first 20 companies (the most important) contribute to around 10.3% to the sector production value, employing 11.5% of the sector's work force. The sector is characterised by a reduced concentration, it being distributed all over Romania including the rural zones. At the same time the main production centers are located in: Bucharest, Ploiesti, Arad, Satu-Mare, Bacau, Iasi, Alba Iulia.

By operation models apparel industry producers can be classified in 3 categories :

- Companies producing exclusively in Lohn system (not many) ;
- Companies trying to diminish Lohn production and in parallel starting to develop own collections;
- Domestic companies which developed own brands since the very beginning (for ex. Jolidon company from Cluj)

The competitive advantages which contributed to positioning Romania as one of the main apparel exporters on the European market were (some of them are relevant even nowadays):



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- Relatively low production costs ;
- Proximity to key markets (absorbing 96% of Romanian exports)
- A lot of experimented companies ;
- Modern production capacities, especially for classical products ;
- Qualified work force, proved by high quality products and prompt delivery.

2.2 Industry trends

In order to survive the Romanian apparel sector must adopt the same strategy implemented by the Western European producers and namely production delocalization. The delocalization process started in companies that developed own brands, and also in foreign companies that migrated to Romania during the EU pre-adherence period. The production zones sought by companies that initiated this process are the Asian countries (China, Vietnam, etc.), usually when it is the case of large orders that does not allow to benefit of the scale effect and for which the delivery terms are not important. For 'fashion' products that are usually produced in limited quantities, and which must be in line with fashion and where the delivery terms are very important are used the proximity countries: Ukraine, Macedonia, Albania, Belarus, Moldova. Company production follows to be shifted to developing own design and brand, creating distribution networks and promoting products. Another development target is to offer services for West European companies especially in placing production orders (their distribution to several suppliers), quality control, collecting final products and controlling the quality, re-packing and organizing the delivery to the beneficiary. Own production will be limited to small lots in order to guarantee flexibility and promptness.

The main models to relocate production are : CMT (Cut, Make & Trim) and FOB (Free on Board).

CMT (Cut, Make & Trim) – this relocation model is generally used for "fashion" products where the contractor transfers all manual operations to the producer-supplier, while the fabric acquisition (fabric, matching) remains is the obligation of the contractor. The quality control is also relocated but supervised by voyager controllers.

FOB – model used mainly for mass products; specifications regarding design, fabric quality, accessories, etc. being ordered. Suppliers themselves control the entire delivery process including purchase of material, production and quality control.

CMT subcontracting is frequently used, around 80% of apparel companies from Western Europe and Scandinavian countries, while FOB – only 20%.

2.3 Forecasts

- Forecasts concerning production revival of the Romanian apparel sector and reaching the level previously registered are pessimistic. Employees dismissions (made and planned), companies going bankrupt, increasing competitiveness from Asian countries confirm that the sector is in decline.
- Price competitiveness disadvantaged by increase of internal operation costs will contribute to reducing Lohn contracts. It is expected that in 2-3 years Romania will not export products made under such contracts.
- The number of companies will significantly decrease, only those able to develop own brands and integrated distribution models either by creating own store



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chains or by developing cooperation with stores / store chains existent on the market.

2.4 Opportunities and constraints

- Opportunities for Moldovan producers are mostly represented through CMT contracts which tend to shift towards East. The market segment which Moldovan companies must "fight" for is the middle segment, because in the lower "economy" segment there is a serious competition from the Asian countries.
- Products made of European fabric will be produced mainly in countries of close proximity. The development of employees skills and production capacities can become an important factor in attracting contractors.
- Also development of design skills, of own collections and brands is appropriate for a long term strategy, as the competitive advantages fade away in time, including production costs as a result of utilities costs alignment to the European costs level during the first stage and subsequently to the wage level.
- Develop 'niche' products (for certain market segments) or shift activity towards producing quality goods represents another strategic long term direction. It is expected that the apparel production in Eastern Europe will diminish in the near future and will even disappear at a certain point in time.



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3. DISTRIBUTION CHANNELS

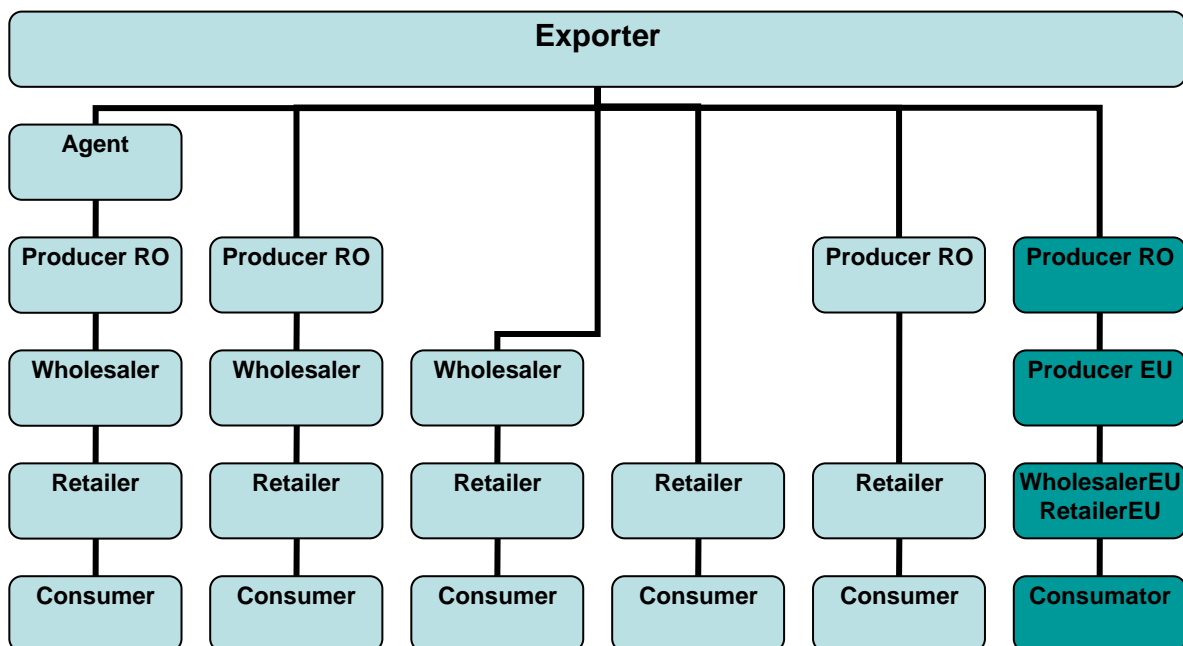
In Romania the apparel importers structure consists of agents, producers, wholesalers/distributors and even some retailers. A possible structure through which exporter's products can reach the final consumer is presented in Table 3.1.

3.1 Structure of the distribution channels

Agents

Producers, wholesalers or store chains willing to purchase from foreign markets use services offered by local or foreign agents, given the good knowledge of the local market and extended contracts. In general large companies developed their own purchasing structures and buy directly from external producers. Small companies and even big store chains which do not practice direct imports refer to their services as well. Most agents do not store products, they only purchase at their clients request, charging a 5-10% commission fee.

Table 3.1 Distribution Channels



Producers

It is anticipated that this channel even though small, but with a growing potential, will become very important for exporters willing to access the Romanian apparel market. At present it is represented by 3 types of producers and specifically: Romanian producers working in Lohn system which use subcontractors services, especially from proximity countries with reduced production costs to diminish total costs; the second category of producers are foreign capital companies in Romania that also operate for the external market usually from the investor's country of origin and which are interested in testing potential facilities to relocate production despite the reduction of the general production costs; the third category of producers are those which developed their own brands and for whom production operations became more important and resource consuming. They tend to develop their own collections, develop brand notoriety and distribution.



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Wholesalers

Compared to the Western European wholesaler which mainly distributes notorious brands or own brands, the Romanian wholesaler specializes mainly on imports of cheap products which are sold directly from the en-gross stands they own.

Retailers

Retailers are represented by big store chains. The imported products target generally the "economy" segment and are sold under the own brand name of the store chain. Usually retailers limit to negotiating conditions and defining products for subsequent supply, while imports are made by one of their suppliers. For example, the METRO chain or Kaufland use their local suppliers to import products the acquisition of which was decided at the top level of the chain.

3.2 Trends in the distribution channels

During the last years the apparel distribution channels faced essential changes. The big store chains, discounters, etc. took over the share of the traditional apparel stores. In these stores are sold mainly products from the cheap segments. Products for the average and superior segments are sold through specialized stores – fashion retail. Most of them are organized in franchise-based chains, where purchasing and marketing are concentrated on reducing costs and increasing sales. These networks are organised on market segments such as age, sex, price/quality correlation or a combination of them.

The Romanian fashion retail market is estimated at €2 billion. In 2008 large apparel retailers developed store chains and a significant number of international brands invaded the Romanian market willing to test it (it is a small but with huge potential for further development). The following chains are present on the market: Kenvelo, Inditex (Zara and Oysho), Mark&Spencer, Mango, Olsen, etc. At present the Romanian fashion market did not reach it's peak. Out of 500 fashion brands existent worldwide, around 100 entered Romania. It is expected that this number will double in the following 3-5 years.

3.2 Prices and commercial adding

The price structure varies by type of clothes, store and distribution channels through which the product entered the market. Quality apparel or brands strongly promoted have high commercial add-ons. Also it is worth mentioning that these add-ons do not necessarily represent high profits. These must cover high operation costs (rental of venues, store facilities, promotion activities costs, etc.) and losses registered during sale periods and unsold stocks.

Apparel Price Structure

	Euros
FCA prices	10.00
Transportation, customs formalities, etc. 10%	1.00
DDU prices	11.00
Customs duties (when preferential tariffs do not apply), 12%	1.32



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DDP prices	12.32
Commercial adding (importer/distributor/wholesaler), 50%	6.16
Retail prices	18.48
Store commercial adding, 100-300%	36.96
Retail prices, without VAT	55.44
VAT 19%	10.53
Retail prices, VAT included	65.97

4. TRADE: IMPORTS AND EXPORTS

The trade statistics used in this chapter is sourced from Eurostat and the National Institute of Statistics. Eurostat data are collected from the customs departments and Romanian companies which voluntarily offer information. Data on trade with the EU countries might be incomplete (not all transactions are registered) and different compared to data from the national statistics monitoring units. Data on trade with the non EU countries is complete, all transactions being accurately registered. Hence all data must be viewed with attention and take into account that it reflects apparel trade trends.

4.1 Total imports

In 2008 Romania's apparel imports accounted for 102 thousand tones of a total value of €808.2 million. 44% of the import value represented textile apparel and 56% - non-textile apparel. During 2005-2008 apparel imports registered a 15% average annual increase.

Romanian imports from EU member states represent 74,3% of. Between 2005-2008 EU imports registered a 25% average annual increase, compared to 5% - for non-EU imports. Thus the share of EU countries increased during this period from 57% to 74%. The main EU exporters are: Italy (39%), Germany (11%), Austria (8%), France (7%), Greece (6%), Spain and Czech Republic 5% share each. Non-EU imports account for 80% in total imports: China (49%), Turkey (26%) and Moldova (5%). Between 2006-2008 imports from Moldova registered an annual average increase of 40% in value.

Table 4.1 Apparel Imports, 2006-2008, thousand € /tone

	2006		2007		2008		Increase Average annual In value 2005-2008
	Value thousand €	Quantity Tones	Value thousand €	Quantity Tones	Value thousand €	Quantity Tones	
Total Romania,	542432,6	81664,3	679030,0	86880,4	808212,6	101897,2	15
of which							
Within EU	309088,9	19012,5	514076,8	25093,4	600372,3	26438,4	25
Outside EU	233343,7	62651,8	164953,2	61787,0	207840,3	75458,8	5



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Moldova	5796,7	509,4	8058,1	1176,7	9938,8	1403,5	40
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Source : Eurostat, National Institute of Statistics

Import development in the EU zone is caused by two factors: market size and market demand. Among the EU top importers, Romania is on the 18th place and is classified as a country with a 'strong' imports growth (app. 10-25% annual increase).

Between 2005-2008 in Romania the average import price raised in average by 12% per year, reflecting an increase of demand for high quality notorious brands, mainly imported from the EU countries.

4.2 Imports by groups of products

Romanian imports of **textile apparel** registered an annual growth of 21% in value and 22% in volume during 2006-2008. The average import prices dropped on average with 1.2% annually. This decrease was mainly caused by the continuously growing rhythm of 'cheap' imports from the non-EU countries compared to imports from the EU countries. 74% of imports by volume are from the non-EU zone. By value 74% of imports belong to the EU member states.

Between 2006-2008 imports of **non-textile fabric apparel** registered an annual increase of 23% in value, and 3,4% in volume, reflecting a growth of average import prices which registered a 20% growth rhythm per year. The average growth of import prices was caused mainly by the increase of 'expensive' imports from the EU member states. Imports from the non-EU countries were relatively stable in volume, registering a 1% annual increase, while imports from the EU states registered a 17% annual increase. The non-EU countries' share of imports by value was of 26% and 74% by volume.

The role of the EU member states in Romanian imports increased since 2007 when Romania joined the EU. In the near future the role of non-EU countries in Romanian imports will grow once the production is reallocated from Romania to lower cost countries. Among targeted production reallocation countries are: Moldova, Ukraine, Macedonia and Asian countries (China, Vietnam, India, etc.).

Table 4.2 Garment Imports by region, main partners, 2006-2008,% in value

	2006 ml. €	2007 ml. €	2008 ml. €	Main suppliers in 2008 Share in regions %	Share %
Total apparel	542,4	679,0	808,2		100
Within EU	309,1	514,1	600,4	Italia (39), Germany (11), Austria (8,2), France (6,7), Greece (6,1), Spain (5,4), Czech Republic (5,2)	74,3
Outside EU	233,3	165,0	207,8	Bulgaria (4), Hungary (3,9), Great Britain (3) Belgium (2,2), Poland (2,1), Holland (1,4) China (49,4), Turkey (26,2), Moldova (4,8) Vietnam (3,2), Bangladesh (2,7), India (2,7) San Marino (2,1), Ukraine (1,6)	25,7
Moldova	5,8	8,1	9,9		1,2
Textile apparel	246,8	309,6	360,0		100
Within EU	144,9	238,9	270,3	Italia (36,7), Austria (10,8), Germany (10,1) Greece (7,7), France (6,7), Czech Republic (4,9), Spain (4,6)	75,1



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Outside EU	101,9	70,7	89,7	Bulgaria (4,5), Hungary (3,8%), Belgium (3), Poland (2,3), Great Britain (2,1), Holland (1,4)	24,9
Moldova	2,0	3,8	4,0	China (52,3), Turkey (23,8), Bangladesh (6,3)	1,1
Textile apparel	295,7	369,4	448,2		100
Within EU	164,2	275,2	330,1	Moldova (4,4), Vietnam (2,9), India (2,1)	73,6
Outside EU	131,5	94,3	118,1	Italia (40,92), Germany (11,76), France (6,69)	26,4
Moldova	3,8	4,3	6,0	Spain (6,06), Austria (6), Czech Republic (5,39), Greece (5,31), Hungary (3,93), Great Britain (3,76)	1,3
				Bulgaria (3,51), Poland (1,91), Belgium (1,63)	
				Holland (1,43)	
				China (47,24), Turkey (27,94), Moldova (5,04)	
				San Marino (3,62), Vietnam (3,43), India (3,21), Ukraine (2,81)	

Source : Eurostat, National Institute of Statistics

Table 4.3 Garment imports by groups of products, in value

	2006		2007		2008		Growth average annual 2006-2008, %
	€ ml,	Share % total import	€ ml,	Share % total import	€ ml,	Share % total import	
Total garments	542,4	100,0	679,0	100,0	808,2	100	
Textile garments							
- coats/jackets	3,5	0,6	7,2	1,1	11,6	1,4	84
- costumes/jackets/trousers	12,4	2,3	26,0	3,8	30,3	3,7	63
- shirts/blouses	17,2	3,2	23,4	3,5	26,4	3,3	24
- lingerie/home clothing	24,8	4,6	41,7	6,1	41,2	5,1	34
- T-shirts	44,9	8,3	59,6	8,8	73,9	9,1	28
- jersies/pullovers	53,6	9,9	60,4	8,9	76,2	9,4	19
- childrenswear	3,1	0,6	5,2	0,8	9,0	1,1	71
- sports wear	3,5	0,6	10,2	1,5	13,3	1,7	113
- socks/stockings	40,9	7,5	27,3	4,0	28,3	3,5	-15
- accessories	2,1	0,4	3,4	0,5	4,5	0,6	48
- other	40,8	7,5	45,2	6,7	45,3	5,6	6
Total textile garments	246,8	45,5	309,6	45,6	360,0	44,5	21
Non-textile textile garments							
- coats/jackets	23,2	4,3	33,8	5,0	45,4	5,6	40
- costumes	9,1	1,7	12,8	1,9	20,2	2,5	49
- jackets	12,4	2,3	19,9	2,9	27,7	3,4	50
- trousers	70,9	13,1	79,1	11,6	105,9	13,1	23
- dresses	3,6	0,7	7,8	1,1	13,9	1,7	96
- skirts	7,2	1,3	9,0	1,3	10,5	1,3	21
- shirts/blouses	22,9	4,2	36,0	5,3	55,8	6,9	56
- lingerie/home clothing	27,0	5,0	29,8	4,4	29,8	3,7	5
- childrenswear	2,1	0,4	3,7	0,5	3,2	0,4	31
- sports wear	13,7	2,5	13,4	2,0	16,4	2,0	10
- accessories	3,9	0,7	4,2	0,6	5,8	0,7	22
- other	99,5	18,3	119,9	17,7	113,6	14,1	8
Total textile garments	295,6	54,5	369,4	54,4	448,2	55,5	23

Source : Eurostat



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Textile apparel

Imports of three product groups: jerseys, pullovers, jackets, etc.; shirts ; lingerie and home clothes account for over 50% of textile apparel imports value.

Imports by volume (in units) are not available for periods prior to 2007 year. During 2006-2008 imports of **jerseys, pullovers, jackets, etc.** increased by 13% in volume and 19% in value on average per year. This growth was caused mainly due to imports of 'light' products made of cotton, which increased by 2.65 times in the analysed period. Their share in the imports of this group of products grew from 18% in 2006 to 34% in 2008. Imports of products made of synthetic fiber, wool, other fibers were relatively stable.

Around 78% of imports in value are from EU member states and 22% from non EU countries. The main import countries by value are Italy (37%), China (11%), Germany (9%), Czech Republic (6%), Spain (5%), Turkey (4%), Bangladesh (4%) with a 76% share in group's imports. Imports from Italy and Germany increased significantly while imports from China and Turkey decreased. Also it is worth to mention that a EU imports represent mainly re-exports which cannot be quantified from the available statistical data.

In 2007 average import prices varied between 3.5 - 8.8 euros/unit depending on the country of origin. The lowest prices were registered for goods imported from Bangladesh, and the highest for goods imported from Germany and Italy.

Imports of **T-shirts** increased in value by 28% during 2006-2008. In 2008 Romania imported 41,56 million T-shirts (34 million in 2007) at an average import price of 1,77 euros/unit. 75% of imported T-shirts are made of cotton. The main import countries are: EU countries - 75% by value and non-EU- 25%, of which Italy (23%), Germany (9%), the Czech Republic (9%), China (8%), Turkey (7%), Greece (7%) and Bangladesh (7%) account for 75% of the total value of imports for T-shirts. Also at the European level around 60% of T-shirts imports are from the non-EU zone meaning that most imports from the EU countries represent re-exports. Turkey, China and Bangladesh hold approximately 40% of the EU imports of T-shirts.

Imports of **textile lingerie and home clothes** increased in average by 34% during 2006-2008 accounting for € 41.4 million, of which 75% represent slips for women and men.

In 2008 Romania imported 30,45 million units of men slips, accounting for €7.14 million, of which 80% were made of cotton. The average import price was of 1.23 euros/pair. The main import countries are from the non-EU zone with a share of 87% in volume and 40% in value. With a share of over 65% in volume of total imports China is on the 1st place among the exporting countries. Other important exporters are Turkey, Ukraine from the non-EU zone and Italy, Greece, Germany, Austria, Bulgaria from the EU zone.

Romanian imports of slips for women and girls were of 81,79 million units of a total value of €23,69 million, of which 55% were made of cotton. The average import price is of 0,29 euros. The main import countries by volume are from the non-EU zone with a share of 66%. EU countries hold a share of 86% in imports by value. China with a share of 58% of imports by volume is the main supplier of these products on the Romanian market, other important suppliers are: Austria, Germany, Italy, Bulgaria and Turkey (93% cumulated share).



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Non-textile garments

Imports of three product groups "coats, jackets, etc.", "trousers", "shirts and blouses" are the most important in the non-textile garment sector, totaling over 46% of the imports value from the respective category.

Imports of **coats/jackets** such as sweatshirts, jackets, etc. increased from 2.75 million units in 2006 to 7.43 million units in 2008. The average import prices dropped by 5.55% from 8.45 euros/units in 2006 to 6.11 euros/units in 2008. About 78% of imported products were made of synthetic fiber and 19% of cotton. Romania's imports from the non-EU countries grew considerably from 2.7 million units in 2006 to 6.93 million units in 2008. By volume imports from the non-EU zone registered a share of 93%. Imports from EU countries increased by 4 times in volume up to 0.5 million units for the same period, however with higher prices. The main supplier of these products on the Romanian market is China with 91% share. Other important suppliers are: Italy (1,65%), Spain (1,03%), Moldova (0,71%).

Imports of products from the **trousers, shorts and short trousers for women and men** group increased in volume by 63% from 13.7 million units in 2006 up to 32.48 million units in 2008. By value imports registered a 23% growth for the same period. Average import prices dropped from 5.42 euros in 2006 to 3.26 euros in 2008, as a result of imports growth from countries with 'reduced costs'. The share of imports by volume from the non EU countries was of 79% in 2008 registering an increase of 64% in the analysed period. Cotton trousers for men and women other than denim, of synthetic fiber and jeans are the most important products in this group, with a share of 93% in imports by volume. The ratio between trousers for men and women is of 49% / 51%.

Imports from EU countries increased by 3 times in volume. The main export countries are China (60%), Turkey (11%), Italy (5%), Germany (4%), Vietnam (3%), Spain (2%), the Czech Republic (2%), Moldova (1,6%).

Imports of **shirts and blouses** increased by 3,7 times in volume and 56% in value during 2006-2008. This growth was caused mainly due to increase of imports of shirts and blouses made of cotton, however imports of goods made of synthetic fiber registered a more moderate increase compared to cotton goods. The share of these 2 types of products in the total group was of 91% in 2008. The non-EU countries have an important role in imports of shirts and blouses in Romania with a share of 83% in volume. The main export countries are: China (65%), Turkey, (7%), Italy (5%), Moldova (3%).

4.3 Exports

In 2008 Romania exported 96,55 thousand tones of garments accounting for €2,77 billion, of which €0,74 billion textile garments and €2,03 billion – non-textile garments. Within EU zone Romania is on the 8th place among exporters with a share of around 5% of total EU exports. During 2006-2008 the export of garments declined by 10.7% per year, leading to a decrease in exports of goods produced in active processing system.



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Table 4.4 Exports of garments 2006-2008, in million € / thousand tones

	2006		2007		2008		Increase Annual average In value 2006-2008
	Value million €	Quantity Thousand tones	Value million €	Quantity Thousand tones	Value million €	Quantity Thousand tones	
Total Romania, of which	3 480,49	139,37	3 169,12	119,02	2 774,27	96,55	-10,70
Within EU	3 371,27	135,40	3 062,58	115,07	2 668,08	92,85	-11,02
Outside EU	109,22	3,97	106,54	3,95	106,18	3,70	-1,39

Approximately 96% of exports in value target the EU member states, over 50% of exports are made on the basis of Lohn contracts, Romania being the largest exporters of such services within EU. The main export countries are: Italy (36%), Germany (23%), Great Britain (16%), France (10%).



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5. MARKET ACCESS REQUIREMENTS

Since Romania joined the EU it adopted various garment related standards, which are presented below in this chapter.

5.1 Quality Standards

There are no specific standards for outerwear, sports wear and clothing accessories in the European Union. Most importers (producers, retailers, etc.) work with certain minimal requirements. Therefore they have formulated and stipulated minimal quality requirements regarding fabric and its processing. The Technical Committee of the European Clothing Association (ECLA) published an example of recommendations concerning characteristics and defects of the textile fabrics used for garments, with the following specifications:

- Recommendations regarding fabric features which can be identified by an experienced specialist with or without generally used tools. It is a mistake when defects in fabric are obvious or can harm the finished products;
- Recommendation regarding fabric features which can be identified only with the help of the necessary equipment. The description of each feature contains: definition, testing method and minimal quality standards on: tolerances allowed compared to quality of samples and eventually commercial involvements.

Testing methods of fabric and/or of garments are generally based on ISO standards and European norms (EN) or national standards, such as:

- Care labeling (ISO 3758)
- Dimensional stability aspects, steam processing (DIN 53894), doubling with glue fabric (DIN 54311), washing (ISO 3759, 5077 and 6330), chemical treatment (ISO 3175);
- Mechanical and physical properties as well as extension capacity (ISO 5081), resistance at tearing (ISO 5082), water influence on fabrics (ISO 9290), the capacity of fabric to slide while sewing (BS 3320), resistance to fabrics ageing (EN 22313), recovery of fabrics defects (ISO 9867), resistance to fabrics change of appearance (BS 5811), fibers from fabrics (SIS 650047), resistance to surface wetting (EN 24920) etc.;
- Resistance of color to certain aspects such as washing, light, water, etc. (ISO, 105).

Despite the free European harmonization allowing free trade between the EU member states, individual markets have different requirements regarding garment types, sizes, colours, etc.

5.2 Non-tariff Barriers to Trade

The next sections refer to the EU markets access requirements and include legislation of products and non-legislative market requirements. The requirements are socially inspired and refer to environment protection, consumers health and security.



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Product Legislation

In the EU product legislation on environment, consumer's health and security in trade with textiles is compulsory and of high importance. These laws refer to: azo colorants for fabrics colouring; azo colorants are dangerous for health and environment; nickel used in accessories, such as buttons and zippers can cause allergies; cadmium toxins used in printed fabrics can be dangerous for health and environment.

Most EU laws are directly applied to foreign companies that supply products to a European country, for ex., through own foreign shops. Although products are placed indirectly on the market by importers, in most cases, the importer is hold responsible for these products. Therefore importers can encourage or even force foreign suppliers to follow certain standards through warranties ensured by law.

Market Requirements

These requirements can be classified in tables, codes or in management systems. Besides the legal requirements, producers face additional requirements. EU importers ask for more information from the producers, for ex., information on social conditions at the work place or labor conditions from the ecology point of view. Although requirements in this field are not part of the official legislation it is recommended to take them into consideration in order to be competitive on the market. If a producer wishes to let foreign parties know that he produces in good working conditions, he can conform to standards which were developed for this purpose. The best standard is ISO 14000 series, of which the most important is ISO 14001 indicating the requirements for the management environment system.

Social Requirements

Besides the legal requirement imposed by exporters' governments, exporters confront with social requirements from EU importers. Usually companies are expected to implement the so called ethical codes which include minimal standards or use management systems and ethics (especially SA8000 managerial system used in the textile sector) to guarantee good working conditions. These social requirements gain importance on the EU markets and become a precondition for the international trade.

The so-called social codes are usually corporate codes. In many EU member states, the use of minors as work force is considered a serious problem. Advertisements regarding this issue caught the attention of the consumer and had a negative impact on sales. Exporters able to guarantee and prove that their goods are products without exploiting minors in the production process will gain a competitive advantage compared to other goods and will have a bigger chance to set long term business relations. Besides that EU added a "social clause" to the General System of Preferences (GSP) which offers certain tariff discounts to import of products made in a civilized manner. In this sense can be mentioned the main ILO Conventions covering free association, work force discrimination, work equality and eliminating minors exploitation.

Environment Requirements

There are many tools such as labels, managerial systems markings and ethics codes which represent different objectives such as environment aspects and use of management systems.

In the apparel and textile sector are used national eco-labels, eco-labeling programmes in EU and environmental labels of independent organizations. Some



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labels have a limited impact on the market, i.e. eco labels for organic fabrics or national labeling programmes.

An important independent brand with a significant impact on the market is the Oko-Tex 100 (from Oko-Tex Association), label based on both environmental and safety aspects. Oko-tex is the most famous and used label. Eco label "Flower" was admitted in EU as a good program and consistent with the national eco labels. There are over 20 groups of different products including garments. Examples of national eco labeling are: Milieukeur (Holland, Der Blaue Engel (Germany) and Aenor (Spain).

Environment requirements in ethics codes usually exceed the requirements included the existent EU ethics codes.

Work place security

Standards and methods are developed as the EU is more and more preoccupied with local social conditions in which goods are produced. Health and work place security is an important issue, as social standards are strongly required on the EU market.

The main concern regarding safety and health while processing fabrics is the exposure to toxic chemical products and work with exposure to risk, as well as accidents with equipment. A negative impact on sales had the exposure to toxic chemical products that immediately cause long term safety and health problems and negative advertising of health problems or work conditions during production process.

5.3 Packaging, marking and labeling

Packaging

If someone intends to export in EU a special attention must be paid to packaging. It is obvious that packaging must be durable when transported. Products must be protected against elements such as temperature changes, non-qualified manipulation and theft. Besides durability to transport and manipulation some importers can have certain requirements regarding packaging, such as information regarding order printed on boxes (number or orders, box number, name of department or contact person, etc.).

From the environmental aspects, packages made of materials such as PVC, etc. is less used among consumers, and in some cases can be prohibited by the government. Exporters must be prepared to discuss this issue with potential clients and must anticipate costs for special packaging in its prices, if necessary.

The European Packaging & Packaging Wastes Directive (94/62/EC) is concerned with minimizing the creation of packaging waste. It consists of quantitative objectives that must be fulfilled by each EU member state. The EU states are responsible to adjust the Directive to the national legislation.

In Europe the issue concerning diminishing wastes is problematic, mainly because the importer is responsible for getting rid of packaging wastes for all goods produced outside EU. It is critical to take into account product packaging requirements (both transport and sale packages) while planning exports to EU. To



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fulfill the targeted market requirements it is necessary to communicate with the importer regarding packaging.

Marking

The following body measures are used: body height, breast, waist and hunkers width. These four main measures are crucial for a cloth to fill well the body.

Labeling

In the EU requirements there are two types of labeling:

- **Compulsory requirements** are measures (discussed earlier), fibers content and label with care-related instructions. With regard to fiber content: 100% note or 'natural' can be used without a 2% margin of the final product weight. Fibers with a 10% lighter weight than the final product's weight can be mentioned in the label, hence all other fibers must be mentioned as well on the label.
- **Voluntary requirements**: product origin, brand or product name and other useful information for the consumer. It is more important to keep the consumer informed about the existent and future products. It is very important to mention where the product was made.



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CHAPTER 6. OPPORTUNITIES AND CONSTRAINTS

The Romanian apparel market offers opportunities as well as constraints for Moldovan exporters. Opportunities are determined primarily by the ascending product consumption trend caused by increase of the population's incomes. Constraints are related to the fact that Romania is one of the largest apparel producers in Europe with a very well developed sector capable (theoretically) to fully cover the local demand for apparel. On long term the production relocation to zones with reduced costs will significantly expand, just as it happened in the Western Europe. Romania will become a net importer of the respective products, locally remaining operational design facilities and production of "luxury" segment garments.

6.1 Opportunities

The analysis of the Romanian apparel market trends and « dynamics » revealed the following opportunities for the Moldovan producers :

Product delivery

1. Producing in Lohn system (CMT contracts)

Internal production costs (wages, utilities, etc.) reduce the competitiveness of the local apparel sector. Hence more Romanian companies are forced to look for zones to relocate partially or completely the apparel production.

Partial production relocation is a necessity for companies which also produce in Lohn system for Western European companies. Relocation or subcontracting is needed to diminish total production costs of ordered production lots, allowing companies to continue to offer production services. In such conditions the most investigated zones are those in close proximity to diminish terms of delivery and to allow contractors to control the production processes. It is obvious that the opportunity for the Moldovan producers is in subcontracting.

Complete relocation of production is mainly necessary for the Romanian companies which developed own brands, products distribution network willing to maintain the competitiveness of products and to fully reorganize their business by eliminating relatively simple production operations which imply intensive resource utilization. Operations/processes which remain to be performed within these companies are related to design creation, brand and distribution network development. Production processes are relocated externally. Interest zones depend on the market segment the company operates in: for high volume production – Asian countries, for "fashion" products in small lots for which delivery terms are highly important – proximity zones. For the Moldovan producers as an opportunity can be the second group of products, with the condition that the technological capacity of the Moldovan company allow to produce at the requested level and quality.

2. Production in FOB system (private label)

This system implies integral delivery of goods produced according to the buyer's design (not excluded the exporter's design). Raw material purchase and production of goods is the sole responsibility of the exporter. Clients are mainly store chains (supermarkets, hypermarkets, etc.) which have apparel departments that target the 'economy' and 'average' market segments. Opportunities for the Moldovan



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EuropeAid/126810/C/SER/MD



Project implemented by a GFA
Consulting Group in consortium with IDI

producers are mainly determined by the capacity to supply products in relatively small lots, but at competitive prices, giving the possibility to diminish large product stocks created when receiving orders from the 'far-off' zones. The main condition to work under such contracts is to offer products at competitive prices and to deal with import operations which are not assumed by those store chains.

Another rapidly developing concept which generally targets market segments beyond average is 'fast fashion', i.e. producing collection garments previously launched on the market and for which there is a need of one or more stocks. In this case clients are companies operating for the 'luxury' segment. Proximity zones are contracted for this purpose as working conditions for this model are: prompt delivery and very limited product units. It is one of the best models for the Moldovan producers, as it can offer higher profitability per minute and a long term collaboration.

3. Own brand production

It is one of the best solutions to enter and maintain on the market for a long period of time. Market assessment showed that local Romanian companies that developed and promoted their own brands were less affected by the production cost increases and loss of Lohn production orders. In general these are oriented towards the average market segment which cannot be satisfied by products imported from the Asian countries and cannot be satisfied by imports of 'fashion' products from the Western European countries. Although at the moment it is the 'shortest' segment on the market, in the near future it is expected that its share will grow. Once the consumers change their mentality and the perception of "money value" increases (perception generated also by the financial crisis) more consumers will tend to buy brands and high quality products but at competitive prices. The "value for money" concept will soon become an important element for producers.

Products with highest potential

When selecting products for the Romanian market two aspects must be considered:

1. Average import prices – will be selected products with ascending average import prices
2. Products for which the non-EU countries have an important import share

Hence import statistics analysis reveals the following product groups that might be exported by the Moldovan producers on the Romanian market :

- Night clothes (for ex. pajamas)
- T-shirts
- Textile trousers
- Textile costumes
- Textile sportswear
- Shirts
- Textile jackets, etc.



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6.2 CONSTRAINTS

The main constraint for the Moldovan producers refers to the technological limitation to produce complex products and financial capacities mainly related to FOB delivery orders. Among other constraints can be mentioned the following: limited or non-existent design capacities of local producers and reduced collection and brands promotion actions.

The main market related constraint for the Moldovan producers is the low level of Moldovan apparel sector awareness on the Romanian market. Very few Romanian companies are aware of the Moldovan apparel sector and when they are seeking subcontractors they don't even consider the possibility to subcontract companies or purchase products from Moldova. Usually they are looking for companies from Macedonia, Serbia, and even Ukraine or Asian countries.

6.3 CONCLUSIONS

The general conclusion of the study is that the Romanian market can become an important market for Moldovan producers in case of CTM and FOB delivery of products as well as the delivery of finite products. Consumption trends indicate a market growth, while the shift of the consumers mentality towards "value for money" concept can become a key factor for booming exports on the Romanian market.

The main problems to be resolved by the Moldovan producers relate to increasing awareness of sector's capabilities in order to generate orders to Moldova. This can be achieved by participating at various activities organized on the Romanian market (trade fairs, exhibitions) and disseminating sector promotion information directly to Romanian companies, either through specialised information channels – magazines, associations of producers or agents from the field.

With regard to delivery of finite products there are several issues to be solved by the Moldovan companies and namely: market access (through importers, own companies established in Romania) and promotion of own products/brands.

Entering the Romanian market in form of a "marketing coalition" comprising several local companies which have already developed their own brands and sell them successfully on the local market, might be a successful market launching concept. Several Romanian companies already used this concept and created a network of "multi-brand" shops (more brands sold under the same 'roof') and they manage to compete successfully.