

DEMO SECTOR BRIEF

GARMENTS MARKET IN ROMANIA

MANUFACTURING

IMPORTS

EXPORT

RETAIL



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- product presentation and assessment of interest from clients / partners
- pre-M&A business support and research
- identification of market opportunities: exports, sourcing, B2B sales etc.
- trade missions, business itineraries, inward buyer missions

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Sources consulted for this report: business mass media, the companies, official sources

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1. MANUFACTURING

Romania has a long tradition in manufacturing textiles and garments.

Before 1990, Romania has been a major clothing producer, the textile and garments industry being State-owned and representing the country's second largest employer. The sector was characterised by large vertically-integrated production facilities.

Companies such as APACA or Braiconf have been set up during the 1950s. APACA was covering a surface of nine hectares and employed over 18,000 persons in the communist period. Both had very strong own brands and own design.

After the collapse of the central planning in 1990, the privatisation process in the textile and garments sectors has started and the large facilities have been reorganised into smaller units. In this period, many domestic manufacturers have started to operate under contract manufacturing - the lohn or CMT (cut-make-trim) system - for major buyers in Western Europe and the USA. This has resulted in the increase of domestic investments and the upgrade of the technological equipment, but generated decrease of demand for locally produced fabrics and accessories.

After 2000, local manufacturing is increasing its internal design capacities, thus adding value to local independent production.

Currently, the strengths of the Romanian garments manufacturing market are:

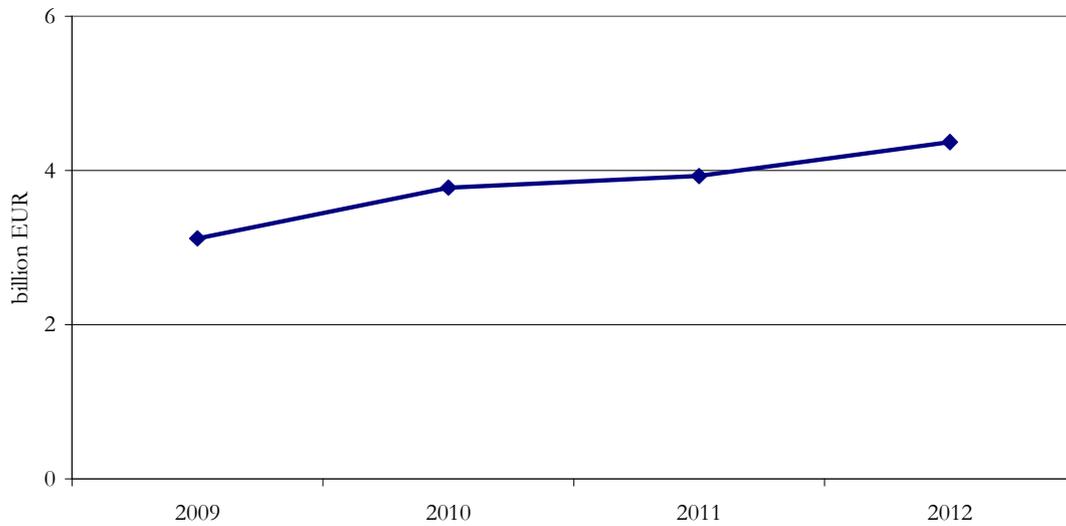
- relatively low labour costs
- skilled and experienced staff
- proximity to Western markets
- EU membership = no taxes
- compliance with EU standards and regulations

In the category of manufacturing garments at a low price, Romania faces strong competition especially from China, Turkey and India.

The production in the textile, clothing and footwear industry in Romania has recorded a continuous growth during the period 2009 - 2012, reaching almost 4.4 billion EUR in 2012.

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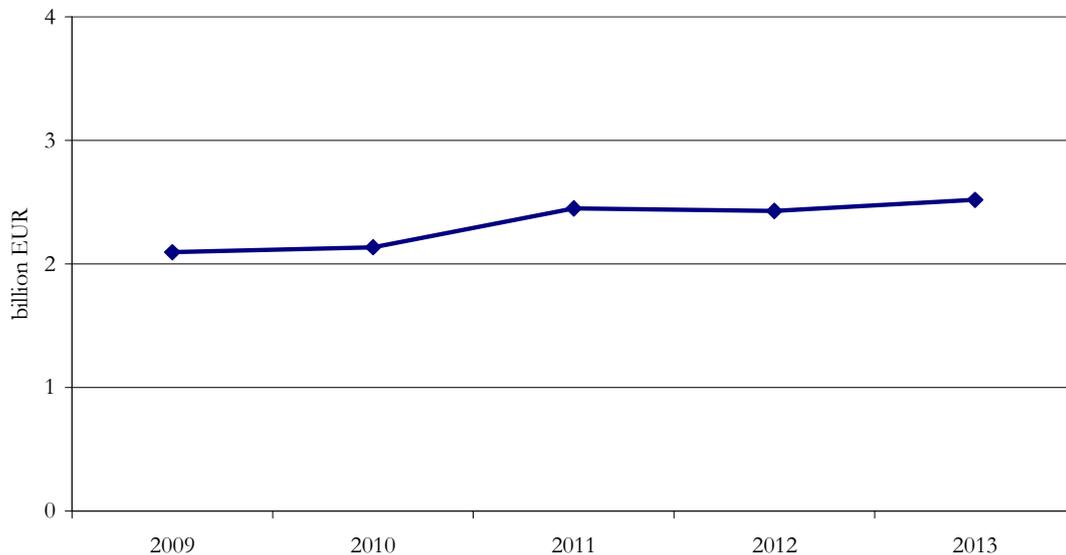
**Production dynamics in textile,
clothing and footwear industry in Romania**



Source: FEPAIUS

The production of the textile clothing in Romania has recorded approximately 2.5 billion EUR in 2013, up by almost 4% compared to 2012.

Production dynamics of textile clothing in Romania



Source: National Institute of Statistics

According to the NIS, during the first eight months of 2014, the turnover value index in the textiles manufacturing sector in Romania has increased by 16.4% compared to the same period of 2013. At the same time, the value of new orders index in the textiles manufacturing industry in Romania has increased by 15.1%.

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There are over 1,000 players in Romania active in the sectors of preparation and spinning of textile fibres, weaving of textiles, finishing of textiles and manufacture of other textiles. They have recorded a cumulated net turnover of over 900 million EUR in 2012.

In Romania, there are over 3,000 manufacturers of wearing apparel, with a cumulated net turnover of over 1.7 billion EUR in 2012. These players include: manufacturers of leather clothes, manufacturers of work wear, manufacturers of underwear, manufacturers of articles of fur, manufacturers of knitted and crocheted apparel and manufacturers of other wearing apparel and accessories.

One significant producer of garments in Romania is Benrom, owned by the Italian Group Benetton. Established in 2005, Benrom has a manufacturing unit in Sibiu. Benrom has recorded in 2013 a net turnover of almost 70 million EUR and approximately 100 employees.

Traditional Romanian producers of textiles and garments include:

- Modexim was established in 1991 following the division of Fabrica de Confectii Craiova (Craiova Garments Factory) into four different entities. Modexim has reorganised its activity and has started to work under the lohn system. It manufactures clothes for Steilmann, H&M, Max Mara, Miroglio Vestebene etc. Modexim has recorded in 2013 a net turnover of 4.5 million EUR generated by almost 700 employees.
- Conflux was established in 1991 following the division and reorganisation of Intreprinderea de Confectii si Tricotaje Bucuresti (Bucharest Clothing and Hosiery Company). In 2008, Conflux has started a large-scale investment project for the rehabilitation of its factory and the modernisation of the production equipment. Conflux manufactures clothes based on lohn and semi-lohn system. Some of its main clients are: Emporio Armani, Façonnable, Alain Figaret, Luis Civit, Innamorato, Sonia Rykiel etc. Conflux has registered a net turnover of 6 million EUR and approximately 80 employees in 2013.
- Catex was established in 1992 through the reorganisation of Intreprinderea de Confectii Calarasi (Calarasi Garments Company) which was initially set up in 1962. Catex has clients in UK, Germany, Italy, France or Spain. In 2013, the company has recorded a net turnover of 6 million EUR and over 600 employees.

A few examples of garments producers set up after 1990 mainly due to the lohn demand from external partners are:

- Established in 1994, Rosca Conf has the production capacity of 45,000 - 50,000 of garments per month. The company's entire production is exported. Some of its main clients are: Max Mara, Sisley, Marella, Comptoir des Cotonniers etc.

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Rosca Conf has recorded a net turnover of 7.6 million EUR in 2013, up by 15% compared to 2012. The firm has approximately 900 employees.

- Texmodel Group was set up in 2000. The company has the daily production capacity of 2,200 skirts and 1,950 women's trousers. Its main clients are: C&A, Hirsch, Delmod or Steilmann. Texmodel Group has reported in 2013 a net turnover of 0.8 million EUR, up by 35% compared to the previous year. It has some 70 employees.
- Held Fashion was set up in 1999. The company's entire production is exported to clients from Germany, Belgium, the Netherlands, France, Poland, Ukraine and USA. Held Fashion has reached a net turnover of 1.7 million EUR in 2013, up by almost 10% compared to 2012. The firm has a team of approximately 150 employees.

Independent Romanian manufacturers of fashion and garments that create their own design and have established own brands in Romania include: **TinaR, Mario, Yokko, Etic, La Femme, Nissa, Murmur, ma dame, Bigotti, Irina Schrotter.**

In respect to **uniforms and utility clothing**, in Romania, there are over 50 producers of working, protection or intervention clothing. They have recorded a cumulated net turnover of over 40 million EUR in 2013. Some significant producers are: Danger, Interbabis, Matei Conf Grup, Avanti or General Conf Grup.

Established in 1991, Danger is specialised in manufacturing of clothing for fire-fighters, protective gloves, work clothing, protection clothing etc. The company has Romanian private capital. Danger has recorded a net turnover of 3 million EUR in 2013, up by over 5% compared to 2012.

2. IMPORTS

Romania is an importer of fashion, garments and clothing. The CIF imports of textiles and textiles articles in Romania have registered over 3.6 billion EUR in 2013, up by 3.5% compared to 2012.

Out of the total CIF imports of textiles and textiles articles in Romania in 2013, the imports from EU have represented 82%.

Taking into account the EU countries, Romania has imported textiles and textiles articles in 2013 mainly from:

- Italy: approx. 1 billion EUR
- Germany: approx. 650 million EUR
- UK: approx. 250 million EUR
- France: approx. 220 million EUR

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Some of the importer-distributors specialised in garments and textiles in Romania are: Lander, Mondorom, Textura Ro, Raymond Styl, Logitrade, Intertex Distribution, Unique Tex etc.

3. EXPORT

The Romanian FOB exports of textiles and textiles articles have recorded over 3.7 billion EUR in 2013, up by 3.2% compared to the previous year. The exports of textiles and textiles articles have represented approximately 7.5% of the total Romanian exports in 2013.

In the first eight months of 2014, the Romanian FOB exports of textiles and textiles articles have reached approximately 2.6 billion EUR, up by 5.4% compared to the first eight months of 2013.

In the first eight months of 2014, the exports of textiles and textiles articles have represented 7.6% of the total Romanian exports.

From the Romanian FOB exports of textiles and textiles articles in the first eight months of 2014, the exports of clothing articles and accessories, other than knitted or crocheted have represented 52.1%.

Romania has exported textiles and textiles articles in 2013 mainly to:

- Italy: approx. 1.2 billion EUR
- Germany: approx. 725 million EUR
- UK: approx. 430 million EUR
- France: approx. 400 million EUR

4. RETAIL

According to a survey carried out by GfK Romania, over 45% of the Bucharest inhabitants prefer to buy clothes from shopping malls, the capital being the city with the biggest number of malls in Romania. The percentage is different in other large cities, where less than 30% of the inhabitants buy clothes from shopping malls. In the Romanian cities with fewer than 200,000 inhabitants, the clothes are usually bought from specialised street shops or clothing markets / stalls.

Over 70% of the Romanians who buy clothes at least once every three months purchase them from shopping malls.

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According to the same source, 11% of the Bucharest inhabitants buy clothes online frequently, compared to only 5% in the rest of the country. 25% of the Bucharest inhabitants frequently buy clothes from outlets that sell famous brands.

Approximately 15% of the Romanians living in urban areas spend over 45 EUR per month in order to buy clothes and shoes, the percentage being higher in case of the Bucharest inhabitants (22%).

Over 25% of the Romanians buy clothes once every two - three months.

The fashion and garments retail sector in Romania is dominated by foreign players. The foreign giants H&M, Inditex (Zara, Stradivarius, Massimo Dutti etc.) and C&A have recorded a cumulated market share of approximately 25% in 2012 in Romania.

The Swedish Group **H&M** has entered the Romanian market in 2011. At present, H&M has 37 stores in Romania. During the period December 2013 - August 2014, the sales of H&M in Romania has reached approximately 94 million EUR, up by 39% compared to the period December 2012 - August 2013. The H&M stores are the most visited brand stores in Romania, both at the national level and in Bucharest.

The Spanish Group **Inditex** has entered the Romanian market directly in 2007, after previously opening stores under franchise agreement in 2004. Inditex is present in Romania with seven brands (Zara, Zara Home, Bershka, Pull&Bear, Stradivarius, Oysho and Massimo Dutti) and 98 stores. In 2013, Inditex has recorded in Romania cumulated sales of over 175 million EUR (up by approximately 16% compared to 2012) and a net profit of almost 25 million EUR (up by 12% compared to 2012). In March 2014, Inditex has launched the online shopping platform for the Massimo Dutti brand.

The Dutch retailer **C&A** has entered the Romanian market in 2009. Currently, C&A has 29 stores on the domestic market. C&A has reported a net turnover of almost 53 million EUR, up by 25% compared to 2012.

Despite the financial crisis, the foreign retailers have expanded their retail chains in Romania during the last years. In 2014, H&M has opened eight stores, Takko four stores, Timeout three stores, LC Waikiki three stores, C&A two stores, New Yorker two stores, Lee Cooper two stores and Koton two stores.

Some examples of foreign fashion retailers that have entered the Romanian market under franchise agreements are:

- The British fashion retailer **New Look** has opened its first store in Romania in 2011, the franchise belonging to the Furlis Group. At present, New Look has

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seven stores on the domestic market, located in Bucharest, Iasi, Cluj Napoca, Constanta, Craiova and Oradea.

- The Italian fashion retailer **Balizza** has entered the domestic market in 2004 when the company Eka Trading has obtained the franchise for Romania. Balizza has one store in Romania, located in Bucharest.
- The US fashion retailer **Brooks Brothers** has entered the domestic market in September 2014, by opening a store in Bucharest, operated under franchise agreement by the company LT Apparel Romania.
- The Spanish retailer **Mango** has entered the Romanian market both directly and under franchise agreement (with Solmar Trading Grup and Peeraj Brands International). Mango has at present seven stores in Romania, located in Bucharest, Timisoara, Constanta and Cluj. In 2015, Mango plans to open a new store in Bucharest, located in Cocor Shopping Center, on a surface of 800 sqm.

Some of the successful foreign youth fashion retailers present in Romania are briefly profiled below:

- The German youth fashion retailer **New Yorker** has opened its first store in Romania in 2007. New Yorker has a network of 27 stores in Romania, located all over the country. The average investment to open a store New Yorker in Romania is 950 - 1,000 EUR / sqm. New Yorker has recorded sales of approximately 25 million EUR in 2013 in Romania.
- The Turkish youth fashion retailer **LC Waikiki** has opened its first store in Romania in 2009. At the beginning of December 2014, LC Waikiki has opened its ninth store in Romania, following an investment of over 1.1 million EUR. In 2013, LC Waikiki has registered sales of almost 14 million EUR in Romania. LC Waikiki plans to continue its expansion in Romania by having a network of 40 stores in the next years.

The foreign women's fashion retail in Romania is represented by stores such as:

- The UK chain **Karen Millen** has two stores in Romania, both located in Bucharest. Karen Millen has entered the domestic market in 2008.
- The Italian fashion retailer **Luisa Spagnoli** has one store in Bucharest. The store has been opened in 2013.
- The French fashion retailer **Pimkie** has three stores in Romania, all located in Bucharest.

One example of foreign men's fashion retailers present in Romania is **D'S Damat**. The Turkish brand has entered the Romanian market in 2010. At present, there are nine D'S Damat stores in Romania, located in Bucharest, Cluj, Iasi and Buzau. D'S Damat targets to open new stores in Romania by the end of 2016. D'S Damat has signed an agreement with the Football Club Dinamo Bucuresti in order to provide customised clothing.

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Other successful foreign fashion retailers present in Romania are:

- The Turkish retailer **Koton** has four stores in Bucharest and one store in Ploiesti. The store in Ploiesti has been opened in September 2014 on a surface of some 1,200 sqm. In 2015, Koton will open two new stores, located in Iasi and Timisoara, on a total surface of 5,000 sqm. Furthermore, Koton plans to open a new store in Bucharest, in ParkLake Mall - the mall is expected to be launched in 2016.
- The British fashion retailer **Marks & Spencer** has entered the Romanian market in 2000. At present, Marks & Spencer has four stores in Bucharest, one store in Constanta and one store in Iasi.
- The German fashion retailer **Peek & Cloppenburg** has two stores in Bucharest and one store in Constanta. Peek & Cloppenburg has recorded a net turnover of approximately 28 million EUR in 2013 in Romania, up by 22% compared to 2012.
- The German fashion retailer **Takko** has launched its first store in Romania, in 2007, in Arad. The retailer has 63 stores located in main cities all over the country. Takko has registered a net turnover of over 28 million EUR in 2013, up by almost 8% compared to 2012.
- The Turkish retailer **DeFacto** has two stores in Bucharest and one store in Constanta.

Some of the main retail fashion chains with Romanian capital are: ma dame, Yokko, TinaR, La Femme, House of Art, Bigotti, Etic, Irina Schrotter.

ma dame has opened its first store in 1996. At present, it has seven stores located in Bucharest. The company has recorded sales of 1.5 million EUR in 2013, up by almost 15% compared to 2012.

The first **La Femme** store has been opened in 1994 in Pitesti. At present, there are eight La Femme stores, located in Bucharest, Pitesti and Constanta. Furthermore, the company has an online selling platform.

For tailored market research and B2B matchmaking in Romania and the region, please feel free to contact us directly.

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