

Export strategies adopted by Romanian SME

Dana BOSCOR¹

Abstract *The purpose of the present paper is to analyze the export strategies adopted by Romanian small and medium sized enterprises, strategies based mainly on market niches. The paper applies a conceptual approach combined with analyses of statistics and secondary material and presents the importance of focusing on quality, branding strategies, innovation. The government has also an important role in supporting these companies to approach international markets.*

Key words: *export strategies, differentiation, innovation, market niches.*

1. Introduction

The most important objectives of the National Export Strategy in the period 2005-2009 were: the focus on high value added products like ecological agriculture, rural tourism, IT niches, the use of field branding strategies, the increase of export promotion activities and more transparency in selecting companies benefiting from support for participation at fairs and exhibitions.

Analyzing the structure of Romanian exports in 2013 (table 1) it can be noticed that the products of the machine building industry and transport equipment have the highest share in total exports, followed by metallurgy and wood processing. This result is also linked to the objective of the National Export Strategy 2014-2020 of stimulating high value added investments in strategic fields as: machine building, agriculture, electronics, IT, food industry and renewable energies.

Categories	Share in total exports
Products of the machine building industry and transport equipment	42.5%
Metallurgy and wood processing	33.6%
Food products	7.1%
Chemical products	6.1%
Raw materials	6.1%
Fuels	4.6%

Table 1. *Structure of Romanian exports 2013*

Adapted from www.minind.ro/strategia_export/SNE_2014_2020.pdf

¹ Transilvania University of Brasov, dana.boscor@unitbv.ro

Regarding the evolution of services, the fields that have recorded increases of the turnover in last years were IT services and road transport, the other fields like constructions, communications, accounting and law consultancy, publicity, marketing and financial services recording negative evolutions as it is shown in table 2.

Indicator	2011	2012	Jan.-April 2013
Total balance of other services	-154	-25	131
Communication services	162	122	21
IT services	330	460	295
Consultancy	-327	-144	0
Publicity and marketing	217	199	153
Financial services	-294	-228	-38
Constructions	76	-85	16

Table 2. *The evolution of the balance of other services*

Adapted from www.minind.ro/strategia_export/SNE_2014_2020.pdf

In 2011 foreign direct investments had a share of 71.4% of the total exports and have developed a lot of small and medium sized enterprises as suppliers with a positive effect on the economy through technological transfer and employees training. (Tescasiu, 2012, p.174).

Companies continue to search the advantages of cost reductions, being more involved in outsourcing activities. Romania has important advantages in terms of low labor costs and has attracted a lot of multinationals which produce in Romania and export in other markets. 50% of the export is made by companies with foreign capital or joint ventures, like Renault, Draxlmaier, Cargill, Schaeffler. MNEs in Romania have predominantly chosen to invest in the recently liberalized service industries as: telecommunications, gas, energy and trade and in manufacturing industries where technology transfer is important : automotive, electrical appliances, shipbuilding, electronics and chemicals. (Haar, Marinescu, 2014).

Another important objective of the National Export Strategy for the period 2014-2020 is the development of rural tourism, organic agriculture, furniture, textiles, wine industry and handicrafts. This objective could be achieved by supporting small and medium sized enterprises having business in those fields. SMEs are well suited to tourism. They provide the interface and contact between local culture and tourists and thereby contribute in communicating the particular characteristics of their destination. In our country the small and medium-sized firms account for 99.8% of the total units acting on this market (Băltescu 2009, 576-577).

2. Objectives, materials and methods

The objective of the research is the identification of export strategies adopted by Romanian SME, companies facing tough global competitors.

The creation of business alliances and marketing associations will help SME to better approach the foreign markets and to reduce costs of promoting products overseas. Romanian exporters will have to develop quality management and to align at advanced certification standards required by international markets. Particular attention is given at present to the strategy of continuous improvement. It is considered an integrating strategy, across functional strategy of the enterprise and it envisages gradual, continuous improvement of products and services quality, as well as productivity and competitiveness, with the participation of all staff. (Madar, Neacsu, 2014) Being an iterative process, quality improvement becomes, in fact, a continuous improvement of quality. The target of the continuous improvement of quality is the development of the company simultaneously with satisfying and attracting loyal customers. That is why, taking into account the objectives and the existing resources, it is essential that each company should plan in advance a certain quality strategy. (Madar, Neacsu, 2013)

Another strategy adopted by Romanian SME could be to focus on the markets with large Romanian communities like Italy, Spain, Canada, Israel, Greece where Romanian products and brands can be promoted. Companies in the field of tourism, handicrafts and wine should also collaborate for creating a better image based on tradition.

According to the National Export Strategy for 2014-2020, the consumers will have more decision power by gathering information about products and services. The social responsibility of companies, market reputation, relationships between companies and individuals and quality management will become key assets of companies and sources of competitive advantages. (www.minind.ro/strategia de export).

The most important advantages of SME are: innovation capacity, flexibility, capacity to adjust in a short time at new market conditions.

Barriers encountered by companies in the process of globalization are: lack of capital required for direct foreign investments, low expenditures for marketing, salaries and product adaptation, difficulties in finding funds from different institutions, difficulties in finding the best specialists. (Horn, Faulkner, 2010, p.118)

Factors that can help small and medium sized enterprises to overcome barriers in global expansion are: offering differentiated products difficult to copy or replace, attracting capital for development, developing partnerships with local companies from the host market.

3. Results and discussions

Romania does not have at the moment enough resources for the promotion of exports, for consultancy and support offered to exporters. (Chitu, Tecau, 2012). That is why, the partnerships between exporting companies could be a solution to this problem, as it happened in Chile, where wine producers made an association to promote exports of wine. In New Zealand, all wine producers are members of the wine institute and are developing promotional activities on different foreign markets like: Germany, USA, Canada and Australia. In order to promote wine exports, a government agency was offering 1/3 of financing, the difference of 2/3 being covered by producers from a tax imposed on sales. Through these efforts the image of the country was promoted and the promotional message was "the treasures of a clean and green land". The export strategies of the companies from New Zealand was a combination of individual and collaborative efforts. In the wine field, Romanian companies should improve quality and focus on a better promotion in order to create well known brands. The development of a country brand for wines, the participation at different fairs and exhibitions and a better access at financing through European funds could help SME to increase their exports of high quality wine. Some market niches could also be approached. An example is the segment of older black women living in the southern part of the US who prefer the Romanian sweet wine.

In order to enter in foreign markets like China and USA, the Romanian wine companies must develop cooperative strategies for promoting Romanian wines. (academyofwinebusiness.com) Wine, food and culture should be combined and Romanian wine producers should organize visits at vineyards and create an interest for tourists to know its cultural heritage.

Similar to the wine industry, in the field of furniture the Romanian companies realized that the association between furniture producers can help them to divide the expenditures linked to market research, new models design and access at financing. An example of this strategy is the Simex group, including five companies in the furniture field and having more than 1000 employees. Having experience and skilled labor the company has approached the segment of classic, art furniture in the markets of Russia and Ukraine but at the moment the company is targeting the markets of Germany and Holland because of the difficulties faced by eastern markets. The furniture produced by Simex has a high value added because it involves a lot of manual operations, performed by experienced employees. Therefore, experience, high quality raw materials, qualified staff can help Romanian companies to use a successful export strategy, targeting even the most developed countries in the world, with sophisticated consumers and high expectations.

In the IT field, Romanian companies have already built well known brands and have adopted differentiation strategies based not only on innovative products but also on ease of use, installation, upgrading and post-implementation services. Romanian software companies have focused on innovation and creativity and now

they are focusing on the way the user is interacting with the technology. Companies like Softwin, Total Soft and Siveco have developed global strategies targeting the most developed markets in the world. They have understood customers' expectations, have conducted market researches and have adopted different strategies for each market. For example, for the antivirus programmes, the American market is focused on price while the German customers are looking for efficiency and the acquisition process is very long. (Rosca C., 2014, P.18)

The sale of software products takes into account the feedback of consumers from different markets and the professional groups and social media can promote the brand better than the producer by using classic advertising strategies. The customers are more and more part of the development process for new products, so that social consumers can influence the development of new functions of the product. The customers become consultants, designers, developers and innovators, being involved in customer communities or operating on their own. Customers can support and promote the brand and they share their opinions with media and social markets, giving credibility to what the company is trying to portray from the brand. (Vandermerwe, 2014, p.51)

Technology allows the producer to have a close relationship with the buyer and to use personalization strategies for a large number of customers. In this respect, Romanian companies can develop applications that support a better relationship between the producer and the customer.

The Romanian company Siveco has developed its own ERP solutions, based on eLearning, eHealth, eAgriculture and eCustoms and at the moment is exporting in 27 foreign markets. The target markets for the IT field are: Germany, Great Britain, France, USA, Japan.

In the field of cosmetic products, Romanian companies adopt also a differentiation strategy, taking into account the differences in cultures, consumer behavior and climate. For example, for the Asian markets products must be adapted to the customers requirements of a whiter skin, while in Europe there is an increasing demand for innovative products. For example, the cosmetic line Gerovital is sold in more than 30 countries from Europe, North America and Africa, being an anti-aging product well known for its quality.

Ivatherm, another Romanian cosmetics producer has started with the Romanian market and expanded later in foreign markets like China, Egypt and Ukraine. Its products are sold in drugstores and have the advantage of using the thermal water from Herculane, with a lot of benefits for health. The company has participated at several fairs and exhibitions in China, Japan, Turkey and Abu Dhabi and has used Romanian resources and French technologies to create high quality products and to fight with the multinationals in this market segment. Ivatherm has used a niche strategy by focusing on the market of antiallergic products, taking into account that in the future, the number of persons suffering from different allergies will increase significantly.

4. Conclusions

Romanians SME should try to export high value added innovative products based on new technologies, should develop export brands and create associations between exporters for increasing power and should involve in promising fields like rural tourism, handicrafts and renewable energies. New markets like China, India, USA and United Arab Emirates should be approached with IT products, cosmetics, tourism and food products.

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