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FURNITURE INDUSTRY

ECONOMIC POTENTIAL OF SANDZAK REGION



The opportunity of exporting to a market of over one billion people with no customs whatsoever, competitive prices for products and services of high quality, delivery dates and quantity flexibility, quick and reliable delivery of goods adjusted to meet the needs of buyers and business partners, favourable international trading agreements, qualified and quality workforce that holds the experience good enough to satisfy the most selective world buyers, controlled manufacture expenses - these are only some of the reasons for which you should do business in Serbia. One of the key sectors of Serbian industry is the wood industry within which the furniture production sector is the most developed one. A testimony to that is the fact that, in the previous year, this industry has exported goods in the value of almost 200 million dollars. The fact that companies such as Diva Divani, Ditre Italia and IKEA found their strategic interest in doing business in Serbia is proof that Serbia and its furniture manufacturers are worth knowing and exploring.

We wish to turn your focus particularly on the furniture coming from the Sandzak region which is, for the majority part, manufactured in Novi Pazar and Tutin.



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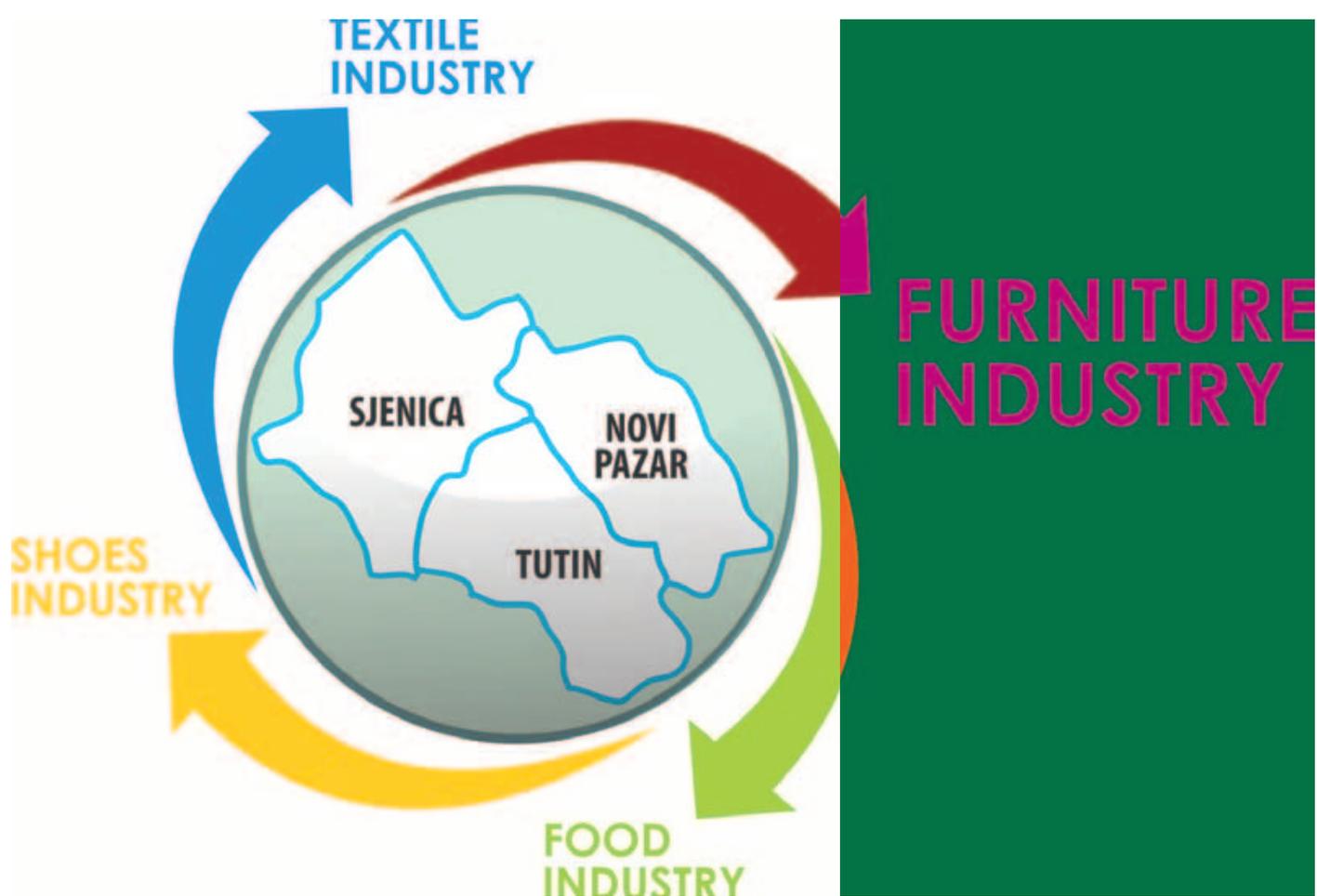
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ECONOMIC POTENTIAL OF SANDZAK REGION

SECTOR OF FURNITURE INDUSTRY



4 WHY SERBIA?

FIAT, Johnson Controls, Siemens, Michelin, United Colors of Benetton, Geox, Ball Packaging and National Cash Register have all recognised the potentials of Serbia. With 7.4 million citizens, a favourable geographic position, customs-free access to 15% of world market, Serbia is the largest market on the Western Balkans and it is a very interesting partner for developed countries of the West as well as the East.



Numerous years of experience in the production of furniture, high-quality domestic materials, competitive labour cost, flexibility of delivery times and facilitated access to different markets - all these are factors contributing to Serbia being one of the most appealing countries for doing business with in Europe. Favourable trade agreements have enabled Serbian furniture companies to grow more competitive on the international market and have also made them more appealing to foreign partners in the sense of making deals and doing business together.

A LIST OF INTERNATIONAL TRADING AGREEMENTS:

- **Trading agreement with the European Union**
(70% of all textile products and clothing is exported to EU
Market size: 509 million potential buyers)
- **Agreement of free trade with Turkey**
(over 90% of all materials for textile industry is imported from Turkey
Market size: 82 million potential buyers)
- **A special trade agreement with the United States of America**
(for products “entirely made in Serbia”
Market size: 319 million potential buyers)
- **An agreement of free trade with the Russian federation**
(market size: 165 million potential buyers)
- **The Madrid protocol**
(offers protection for Serbian companies doing business in the EU)
- **CEFTA member**
(market size: 22 million potential buyers)
- **EFTA member**
(market size: 13 million potential buyers)

All direct investments in the sector of wood industry, according to the data provided by Serbia Investment and Export Promotion Agency (SIE-PA), amount to over 250 million Euros. Wood processing and furniture production not only meet the needs of the domestic market but also record a growing trade surplus in trading with foreign countries.

Almost all manufacturers of solid wood furniture from Serbia have been successfully exporting to Germany, France, Belgium, Austria and Switzerland. Serbian companies are present in the region as well, especially in Macedonia, Bosnia and Herzegovina, Montenegro, Croatia and Albania.

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If you have made the decision of doing business in Serbia and you are in need of quality furniture - Novi Pazar and Tutin are place to find it.

Sandzak is located in Southwest Serbia, near the Montenegro and Bosnia and Herzegovina state line and it is a region well-known for its entrepreneurial spirit. Sandzak is one of Serbia's finest examples of small family businesses taking over responsibility and initiative, not only for personal prosperity but also for the economic growth and development of the city and the entire region.

Over 20 companies in Novi Pazar and Tutin are in the business of upholstered furniture production. The total size of production facilities is 45.000 m² in which goods worth 2.5 million Euros can be produced on monthly basis. Most companies have new production facilities, modern technology, transportation equipment, educated workforce, system quality standards (ISO 9001:2008) and all the conditions necessary for continuous growth and development.

The companies also have their own showrooms in the entire Serbia and have continually been expanding their network of suppliers and customers. 25% of total turnover is achieved through export of products to countries of CEFTA, Russia and Croatia.



PRODUCTION AND BENEFITS OF COOPERATION

The product range mainly comprises upholstered furniture (sofas, wooden chairs, beds ...). Over 80% of raw materials used in Sandzak firms are of domestic origin. The material for making bases and decorative elements is wood, mostly oak and European beech. Textiles and leather used for upholstery are of the highest quality and are mainly imported.

It is highly important to emphasize that Sandzak manufacturers offer a great number of models. Depending on the size of the company the number can vary from 20 to 150 different models. The average company has 50 essential models (chairs, sofas, sets, beds). The essential models can further be processed with over a 100 different materials (combinations of leather, artificial leather and fabrics). There is also the option of adding mechanisms that turn the seating areas into beds or storage space.



All the companies have a well-rounded and complete production process. If delivery times and flexibility of quantities of ordered furniture are added to that, it becomes rather clear why it is that Sandzak manufacturers are so appealing to both domestic and international buyers.

The competitive advantage of manufacturers from this region is in their ability to take advantage of new opportunities for achieving good business results in a timely manner - they are flexible, easily adaptable to change and can meet and satisfy market demands.

The vicinity of big markets additionally decreases transport costs which particularly come into focus in this sector due to the nature and dimensions of the products themselves, as well as the continuing growth of fuel prices in the world market.

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THE WORKFORCE

More than 1500 people work in the furniture factories in Sandzak. The individual capacity of production is highly efficient in relation to world standards. In case of a higher demand additional workers could easily and quickly be hired given the fact that the local market is abundant with qualified workforce.



Those working in furniture production acquire their skills and knowledge in vocational schools in Novi Pazar and Tutin, whose curriculum is adjusted to the needs and requirements of the sector.

The Technical School in Tutin educates staff for furniture and interior design, while the School of Textile and leather in Novi Pazar provides skilled designers and garment manufacturers.

Additionally, these schools provide their students with practical training in companies as well as summer training and internships. It is through this practical work that the student's skills are perfected and these future furniture manufacturers are given the chance to enhance their skills and achieve maximum quality and precision in the shortest period possible.



REGIONAL DEVELOPMENT AGENCY OF SANDZAK - SEDA

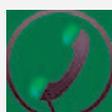
The support to the furniture industry of Novi Pazar is also provided by the Regional Development Agency of Sandzak (SEDA) which deals with the regional economic development of the region. Thanks to the knowledge of the local economic ambiance, a cooperation with local governments and companies, SEDA is capable of offering:

- Business promotion (organization of trade fairs, B2B meetings, business forums and business missions at home and abroad)
- Assistance in the preparation of documents for tenders for incentives with national and international institutions
- Consulting services in the field of introduction and implementation of quality systems - ISO 9000, ISO 14000, ISO 18000 and HACCP
- Training and seminars in various fields of economics and business - marketing, finance, tax policy, company organization, human resource management.

SEDA is certified according to ISO 9001:2008 standard for project cycle management and the provision of training for SMEs (small and medium entrepreneurship)



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