

LEATHER INDUSTRY IN ROMANIA - AN OVERVIEW

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Considering that the technological process is constantly increasing, and changes are made in all industries, the leather industry also encountered challenges that were overcome. The leather industry, in the face of the current difficulties, seeks to maintain within the European Union, its trend and the technical knowledge acquired. Technological advances provide this industry with tools capable of improving the yield, quality, and speed of cost recovery. For this subsector of the national economy to be competitive, it must identify, assimilate, and exploit the latest and most modern technologies. Romania has once an important competitor in the Europe market and in this paper, we are presenting an overview of the leather industry in Romania since it can play a very important role in the country's economy. Thus, this work presents aspects encountered at the level of the leather industry in Romania such as number of producers in the leather industry, evolution of the number of Romanian tanning and leather companies, evolution of labor productivity in companies in the leather and substitutes industry, number of footwear manufacturing companies, top 5 players on the footwear market. These aspects were obtained by the authors through their own processing of the data provided by Statistics.

Keywords: leather industry, footwear, labor productivity, personnel cost, GDP

INTRODUCTION

Since ancient times, the skin of domestic and hunted animals began to be used to produce footwear, clothing, accessories, decorative products, or other purposes. The evolution of the processing of hides and skins had several different stages, starting with the craft level and subsequently reaching industrial processing. The leather industry has experienced continuous development due to the specific characteristics of products obtained from leather (Ciobotaru and Visan, 2003). Currently, at the level of this industry, a great diversity of productions is processed due to the modern technologies used in processing and finishing. Animal skin differs from one species to another or even within the same species, depending on the different living conditions of animals such as environmental, geographical, sex, age, etc. (Bacardit *et al.*, 2015). However, leather production is a process that generates pollution, and the leather industry contributes to the emergence of environmental protection problems, both regionally and globally (Oluwasevi *et al.*, 2021; Brugnoli *et al.*, 2013).

The raw materials used in the leather industry are obtained from the skins of domestic animals, wild and game animals, reptiles, and marine animals. Among the main sources of raw materials in the leather industry are cattle, sheep, goats, horses, pigs, deer, foxes, wolves, nutria, crocodiles, snakes, lizards, walrus, seals, sharks, etc. (Kurian and Nithya, 2009). Animals whose skin is used in the leather industry are slaughtered not for this aspect, but for meat, wool, milk, etc. Exceptions to this rule are animals whose fur is particularly valuable such as that derived from foxes, wolves, leopards, bears, etc. (Joseph and Nithya, 2009).

At the level of Romania, the leather industry represents one of the traditional industries of the country, being an important sector of the national economy, satisfying the consumption needs of the population through leather products (Memedovic and Mattila, 2008). The manufacturing companies are divided according to the resulting finished products such as shoe companies, companies producing soft or hard skins, companies producing leather goods, etc. In recent years, modernization and refurbishment actions have been carried out that have helped to develop the potential of the leather and footwear industry to achieve high-performance products (Bondrea *et al.*, 2017).

LEATHER INDUSTRY IN ROMANIA

The leather, footwear, gloves, and fur sector are characterized by a special degree of complexity determined by the large number of basic technologies applied, totally different from one sector to another, as well as by the diversity of types of raw materials and materials used, namely semi-finished products and finished products. An unfavorable aspect of the leather processing industry is the ecological impact of the technologies used on the environment due both to the inefficiency of the treatment plants and to the use of technologies without recovery and recirculation systems. There are also discrepancies in the automation and computerization of technological processes, especially in the manufacture of shoes, leather goods, fur and gloves that lend themselves more to design, production and control systems using computing. However, through the modernization and refurbishment actions in recent years, the possibility of achieving high-performance products and maintaining an acceptable level of production by partially equipping it with new, modern equipment has been created.

The leather industry is an industry with a tradition of over 100 years in Romania, which developed intensively between 1965-1980, being represented in most of the counties of the country and with a significant share in the economy of Timis, Sibiu, Cluj, Bihor, Bucharest and Suceava counties. Many capacities in the footwear and leather goods sectors in the EU countries have been moved to our country, capitalizing on the advantages of the Romanian market.

Romania is part of the international and bilateral agreements operating in the leather industry (The Association Agreement of Romania with the European Community and its Member States; Central European Free Trade Agreement – CEFTA; Agreement between Romania and the States of the European Free Trade Association – EFTA; Free trade agreements with the Republic of Moldova, Turkey, and Israel.)

Based on the economic cooperation agreements related to the leather-footwear industry, but also for raw materials, the markets and for the products were opened through reciprocity. In relations with Turkey and CEFTA member countries, the leather industry in Romania is directly affected by large exports of hides and skins. Raw skins in our country are purchased at low prices by specially established foreign firms. Due to the reciprocal elimination of customs duties, they are exported abroad where they are processed and finished in tanneries and then reintroduced into the country, at high prices, in order to process various leather goods which in turn are exported. The companies that develop activities at the level of the leather industry in Romania are structured according to the final asset they produce footwear enterprises, clothing and leather goods enterprises, upholstery enterprises. In general, they are either embedded in a larger concern, or they are small independent units that develop a low turnover.

Despite the decline recorded by all industries after 1989, the leather industry in Romania is trying to maintain its presence in the European Union. Immediately after 1989, the Romanian leather industry finds that the technology at its disposal has a gap of 15-20 years compared to the rest of Europe. For example, in Romania the degree of automation in a tannery was only 5%, and in a shoe factory 20%, while western countries were discussing full automation possibilities of the flow (Olle *et al.*, 2014). The structural changes that have taken place in the world economy in the last two decades, as a result of the advances in information and communication technology, the liberalization of international trade, capital and technological flows, the increase in the supply of labor at a global level and the liberalization of its market have had an impact in the leather industry in Romania, which represents an important sector of the national economy.

In Romania, the leather industry is focused on the production of shoes. Currently, Romanian footwear manufacturers face two challenges. On the one hand, they must face competition coming mainly from China and Turkey, countries that produce very cheap shoes, and on the other hand, the growing competition in the segment of fashion, stylish shoes. In the domestic market, there is strong competition, in which both domestic and foreign companies participate. The best footwear brands on the domestic market indicate that consumer options are oriented towards good quality shoes, the purchase decision being influenced by the style and materials used, but also by the price of the products. Even if in the fight with Asian countries Romania has lost ground mainly due to wage differences, as a result of its favorable geographical position, expertise, well-qualified labor force and much less paid than in the West, Romania remains one of the largest shoe producers in Europe and the world. Given that the tanning market industry is a global industry, and Romanian tanners are dependent on access to raw materials and export markets, it is essential to find new suppliers of raw materials. The footwear market is full of competition, dozens of domestic and international brands are fighting for about 65 euros that a Romanian spends on average on shoes every year. Romanian footwear companies manufacture a wide range of products, from everyday shoes to luxury items.

COLLECTING AND ANALYZING DATA AND INFORMATION FROM LEATHER ENTERPRISES IN ROMANIA

As previously presented, the leather industry in Romania covers various industrial products and processes, imports and exports are carried out within it and are among the oldest industries in our country. The footwear, clothing, furniture, automotive and leather goods industries are the most important selling points for tannery production in the EU. Data such as the number of manufacturers in the leather industry, the number of employees in the leather industry, the cost of personnel, the evolution of the number of footwear enterprises, categories of enterprises, etc. will be presented below.

Leather Industry in Romania – Overview

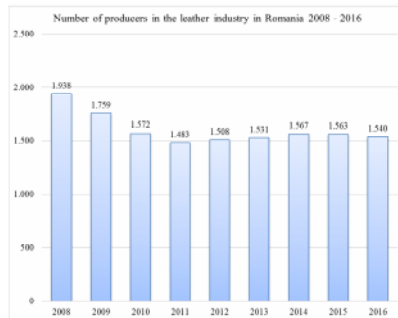


Figure 1. Number of producers in the leather industry in Romania 2008 - 2016 (own processing of data provided by Statista)

This statistic shows the number of manufacturers in the manufacturing industry in Romania from 2008 to 2016 and it can be seen that in recent years you analyze this number is similar, being about 1550.

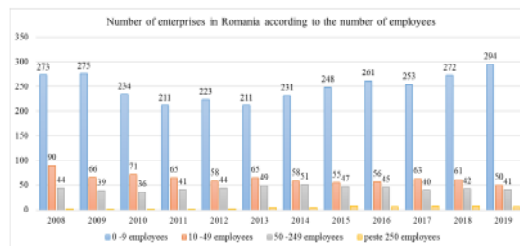


Figure 2. Evolution of the number of Romanian tanning and leather companies (own processing of data provided by Statista)

If we refer to the number of employees who are in the leather industry, from Figure no. 2 it can be noted that most are those that have several up to 9 employees, a feature kept throughout the analyzed period 2008 – 2019. On the other hand, the fewest companies are those that have at least 250 employees.

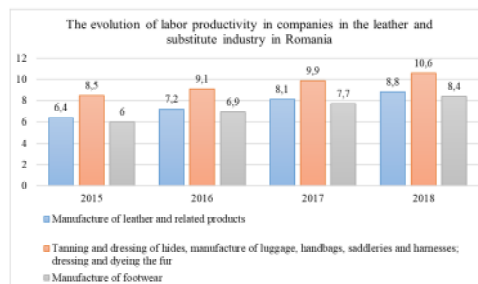


Figure 3. Evolution of labor productivity in companies in the leather and substitutes industry in Romania (own processing of data provided by Statista)

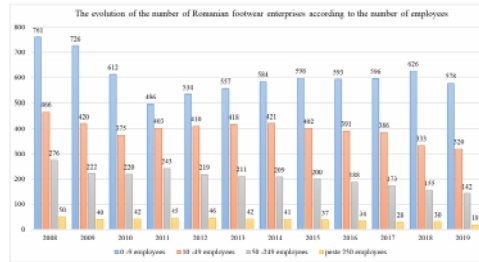


Figure 4. Number of footwear manufacturing companies in Romania in the period 2008 - 2019 (own processing of data provided by Statista)

Regarding the number of Romanian companies producing shoes, it can be noted that even in the case of this sector in the leather processing industry, the number of companies that have over 250 employees is much lower than those companies that have several up to 9 employees, which can be seen in Figure 4.

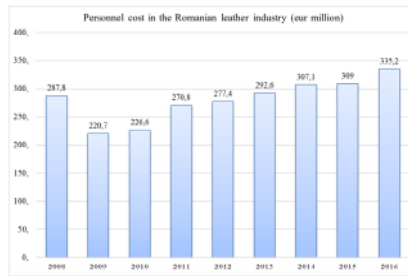


Figure 5. Personnel cost in the Romanian leather industry between 2008 and 2016 (own processing of data provided by Statista)

In Figure 5, the annual personnel costs of the leather and related products manufacturing industry in Romania between 2008 and 2016 are highlighted. In 2016, this industry had personnel costs of approximately 335.2 million euros. In Figure 6 can be seen the top 5 players on the footwear market in Romania in 2019, namely, Deichmann, CCC, Benvenuti, Decathlon and Nike. Thus, Deichmann is the market leader for both men's, women's, and children's shoes.

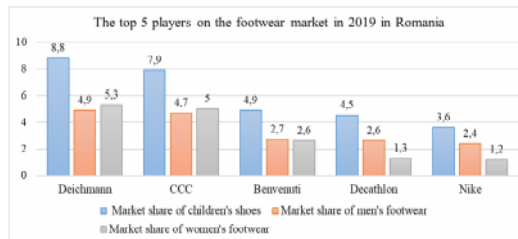


Figure 6. Top 5 players on the footwear market in 2019 in Romania (own processing of data provided by Statista)

CONCLUSIONS

At the level of Romania, the leather industry developed significantly between 1965 and 1980, being especially present in Timiș, Sibiu, Cluj, Bihor, and Bucharest counties. In the 70s - 80s, at the country level, the production of products from the leather industry was sized to meet the needs of the domestic market, and the recorded surplus to be exported. Since 1989, the Romanian leather industry has entered direct competition with products made worldwide in industries like those in countries such as Turkey, India, China, Mexico, etc. Thus, the demand for leather products at the level of the domestic market has decreased significantly. As mentioned, the leather industry in Romania is considered a traditional industry. To meet demands many companies carried out modernization and refurbishment actions that help in keeping the leather industry on top. Also, it must be said that international arguments in this industry help in maintaining a growing market. The tools, human resources, and waste revolution contribute to the national economy no matter the product process. As could be seen, although the number of companies decreased from 2008, there are still important players/companies in the Romanian market that bring value to leather in Romania, they are known internationally and yet have an important contribution to GDP growth in Romania.

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