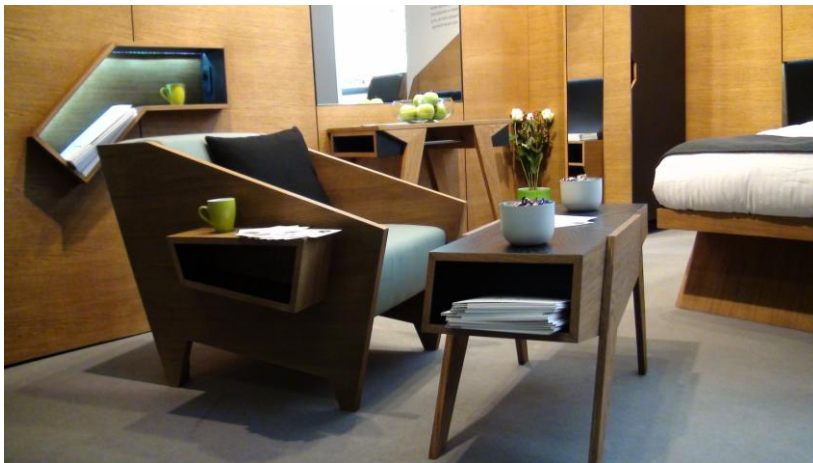


# Bulgarian Furniture Cluster: case study



**Genoveva Christova**  
**BFC President**

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***"If I give you EUR 1 and you give me EUR 1 we each have EUR 1  
If I give you 1 idea, and you give me 1 idea we have 2 ideas.  
European Entrepreneurship = 500 million People = 500 million ideas = 500 million Actions  
How many of these ideas could solve our problems?"  
Ms. M.Sharma, UK***

Wisdom alone cannot cure the Bulgarian furniture industry, but the Team work can!

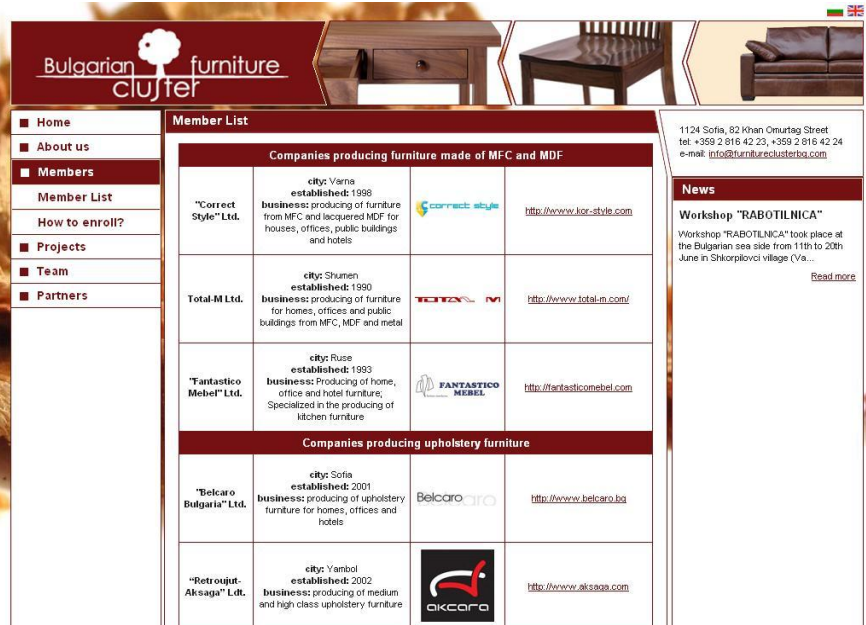
In the scenario of a lagging economy that has chosen to play safe keeping to the old rules, to stay just above the surface, rather than risk taking intelligently and go for a breakthrough is as old as economy itself. And it is only when innovation meets the market through the catalyst of entrepreneurial management that you start to create things of value, products that matter, services that engage. So that is the mission we as the Bulgarian Furniture Cluster chose to follow – **bring a new image of Bulgarian Furniture forward, find new markets, go beyond borders, encourage entrepreneurship and business cooperation and create things of real value.**

Furniture Industry has always been one of the leading industrial sectors in Bulgaria. Due to the rich timber resources (1/3 of the country is covered by forests) and long traditions in furniture manufacturing the sector has been playing a high important social impact for many years especially in the regions. In the country there exists geographical clustering of companies-producers and suppliers, in proximity to raw materials- mainly wood, to large markets such as the capital Sofia or big cities. The largest such groupings are in Sofia, Varna, Pazardhik1 and also Troyan-Teteven, Veliko Tarnovo, Velingrad-Peshtera-Batak, Bourgas, Blagoevgrad-Razlog-Bansko, Smolyan, Chepelare and Rousse. Moreover, there are alliances of companies in Troyan and Velingrad in which companies work together on the production of furniture. In fact, Troyan was the pilot cluster in Bulgaria sponsored by EU fund "Competitiveness" (Project BG 2003/004-937.02.03). 11 SMEs became members of the cluster along with a high school, NGO and the Troyan municipality, all organized by the Branch Chamber of the Woodworking and Furniture Industry. The project was not successful because the companies could not agree on how to divide the profits and the money for new equipment. A second cluster initiative followed in Velingrad where 7 companies and a vocational school took part in the creation of the Rhodopes furniture cluster (Rhodopska Mebel). The operation in the cluster was entirely project-based, therefore all collapsed even before utilization of the awarded EU funds due to the lack of






administrative and financial capacity, but mainly due to the lack of proper understanding of cluster idea and unwillingness of cooperation!

The lessons learned through those two tries led to the creation of the “Bulgarian Furniture Cluster” in 2008 comprised of furniture producers specializing in the contract furniture business. Members of the cluster are 22 SMEs furniture manufacturers,

5 design studios, 2 NGOs and 2 educational institutions, that have decided to join their resources, capabilities and potential with the purpose to increase their competitiveness at foreign markets.



The screenshot shows the website for the Bulgarian Furniture Cluster. The header features the logo and navigation menu. The main content area is titled 'Member List' and is divided into two sections: 'Companies producing furniture made of MFC and MDF' and 'Companies producing upholstery furniture'. Each section contains a table of member companies with their names, cities, establishment dates, and business descriptions. The 'News' section on the right mentions a workshop titled 'RABOTILNICA'.

Member List			
<b>Companies producing furniture made of MFC and MDF</b>			
"Correct Style" Ltd.	city: Varna established: 1998 business: producing of furniture from MFC and lacquered MDF for houses, offices, public buildings and hotels		<a href="http://www.kor-style.com">http://www.kor-style.com</a>
Total-M Ltd.	city: Shumen established: 1990 business: producing of furniture for homes, offices and public buildings from MFC, MDF and metal		<a href="http://www.totalm.com/">http://www.totalm.com/</a>
"Fantastico Mebel" Ltd.	city: Ruse established: 1993 business: Producing of home, office and hotel furniture; Specialized in the producing of kitchen furniture		<a href="http://fantasticomebel.com">http://fantasticomebel.com</a>
<b>Companies producing upholstery furniture</b>			
"Belcaro Bulgaria" Ltd.	city: Sofia established: 2001 business: producing of upholstery furniture for homes, offices and hotels		<a href="http://www.belcaro.bg">http://www.belcaro.bg</a>
"Retroujut-Aksaga" Ltd.	city: Vambol established: 2002 business: producing of medium and high class upholstery furniture		<a href="http://www.aksaga.com">http://www.aksaga.com</a>

**WHY in a CLUSTER, but not ACT INDIVIDUALLY?**

- Specialization – **COMPETITIVE ADVANTAGES**
- Increased capacity and complementary work ( joint orders)
- Reduced costs + synergy : common purchase of materials, common supply, etc
- Efficiency
- Common marketing
- Flexibility
- Complexity
- Innovation and R&D
- Economy of scale
- Increased competitiveness - **EXPORT**

**and THE ECONOMIC DATA (2010)**

- Aggregate turnover of more than 50 mln. Euros
- 4 SMEs above 50% from their turnover
- Aggregate employment of 2650 people
- Economic growth of 12% ( first 6 months of 2011)

### HOW WE ARE DOING IT?:

- **Strong leadership**
  - Co-ordinator (Ambitious + Energetic)
  - Sharing information and resources
  - Equal treatment of each member (neutrality)
- **Mutual trust!**

The pointed in red factors above are key preconditions for a sustainable, successful and prosperous cluster!

### WHAT WE ARE DOING?:

- Strategic planning every year: set up objective targets
- Regular meetings: 4 to 5 per year
- Member visits (round tour): get to know each other better
- Focus groups: marketing; design/trends; HR/education
- Networking and sector representation at national and international level
  - Membership in ABC (Association of Business Clusters)
  - Partnership with Cluster Land, Holz Cluster, etc
- Joint Marketing Activities - Fair participation, like:
  - The Sleep Event London 2010
  - Milano Design Week 2011 (via Tortona)
  - IMM Cologne 2011
- Trade missions – Holzcluster Austria; The Chair Triangle in Italy
- Design workshops – Black Sea 2010 & 2011

- Joint master degree in Design (ISIA Florence + NBU Sofia); graduate placements
- Projects

It is extremely important to underline that so far the Bulgarian Furniture Cluster has not applied for any of the available EU grant schemes and projects! It developed itself as a totally independent, self-contained organization, with a very strong business focus and clear marketing strategy.

### **ONE OF OUR MAIN ACHIEVEMENTS: 2006 - 2011**



**5 685 hotel rooms in Europe  
Preferred supplier for 2 Hotel Groups in  
Germany**



**Dining sets for 12 Home Furniture Stores in  
Finland**





The CLUSTER initiative on its behalf is focused and substantial. It is based on rich business experience, project management know-how and cooperation of everybody in the group. Twenty two companies, operating together are led by a PM company named "Ligna Group". Ligna is the cluster's operational office which represents, manage, quality control and facilitate the business within the Cluster. Ligna is the marketing body focused on export promotion and international contracts.

The most successful domestic initiatives so far include an international design workshop – "Rabotilnica" at the Black Sea and the Sofia Design Week event which takes place once a

## RABOTILNICA

year. The aim of the workshop is to gather the managers of the cluster companies with designers, Bulgarian and international, and to give them tasks

to work on for a fortnight. Sofia Design Week however has a wider scope and features guest lecturers from different countries and from different specialties. This year in the Sofia Design Week was included a special panel of lectures focused on the production of furniture



called „Link Together“ where designers pushing the boundaries of styling and material properties shared innovation techniques together with CEOs from cluster companies. The aim of the panel is to provide local designers with an opportunity to express their ideas realistically, to reveal the business reality of the furniture industry as well as to meet with furniture producers and start a dialogue about the Bulgarian design and identity.

### **CONCLUSIONS:**

Based on our experience, here are the 5 key factors for development of a successful cluster:

1. Human resources and Leadership – readiness, willingness and capabilities of cluster members to cooperate, to share resources and to trust each other;
2. Startegic vision and action planning (concrete, measurable, achievable results) – it is very important for cluster members to see some tangible results within the first 2 years of cluster’s existence. They need to understand that there are not “quick miracles”;
3. Self-financing and sustainability – development of realistic budget and finding out other sources of incomes, rather then membership fees and donor projects – the key precondition for cluster’s success
4. Lack of donors dependence – avoidance of the “easy money”
5. Networking and representativeness – socio-economic impact or development of sizeable and strategic clusters

To develop business in the Balkans is not that easy. To run a successful business is even harder, as there are so many complex barriers, obstacles, burdens and burocracy, but that’s the big challenge, SO YOU TAKE IT OR LEAVE IT! AND WE TOOK IT! We are the Bulgarian Furniture Cluster or companies working in the tough world of the contract furniture export. Day by day we are trying to introduce new standards of economic behaviour, presenting new models and ways of doing business in a new market economy.

The secret of our success is **C**ooperation, **L**eadership, **U**nity, **S**pecialization, **T**rust and **R**isk-taking or simply ..... **CLUSTER!!!**