

STUDY ON THE FEASIBILITY FOR OPENING A JOINT REPRESENTATION OFFICE IN THIRD COUNTRIES

REPORT

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Lead beneficiary Bulgarian Furniture Cluster	WP No. 3. Growing business	

Abstract

This report presents a conducted study for the establishment of a permanent representation in the selected third countries: USA, Canada, Egypt and South Africa. The study contains a market environment analysis, examining the possibility and the opportunity of opening a joint representation office – both from market perspective, from the management structure of the representation and its financial viability in the future.

FGOI PROJECT SUMMARY:

Furniture Go International – FGOI – will help SMEs to reach new markets through collaboration and innovation. The project will establish a European Strategic Cluster Partnership to intensify cooperation opportunities in furniture and related industries, within EU and towards four third countries, namely USA, Canada, Egypt, and South Africa.

The project has a total budget of 549.248 € grant by the European Commission and 61.026 € (private funding).

Furniture Go International (FGOI) is a project with solid basis and ambitious goals, starting mid September 2021 and lasting 3 years. It is driven by eight clusters from six European countries and which, for the first time, will pool all their market knowledge and experience to design internationalization activities exclusively for SMEs in the sector, with an approach 100% result-oriented. The aim is to offer useful and tailor-made tools to approach markets outside the European Union, in particular the United States of America, Canada, Egypt, and South Africa.

The participating clusters are from Romania, Spain, Slovenia, Czech Republic, Sweden and Bulgaria. Combined, they add more than 500 companies, most of them SMEs.





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METHODOLOGY

- Desktop research from global and local sources on country-specific businesses conditions;
- Survey conducted among FGOI project partners;
- Info, gathered at initial exploratory visits in USA and South Africa.



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PRELIMINARY ANALYSIS

NEEDS OF A JOINT REPRESENTATION OFFICE IN THE CURRENT ENVIRONMENT

A survey was conducted among all 8 project partners to assess the needs of opening a joint representation office in the selected third countries: USA, Canada, Egypt and South Africa. Results from the survey are summarized in the following slides.



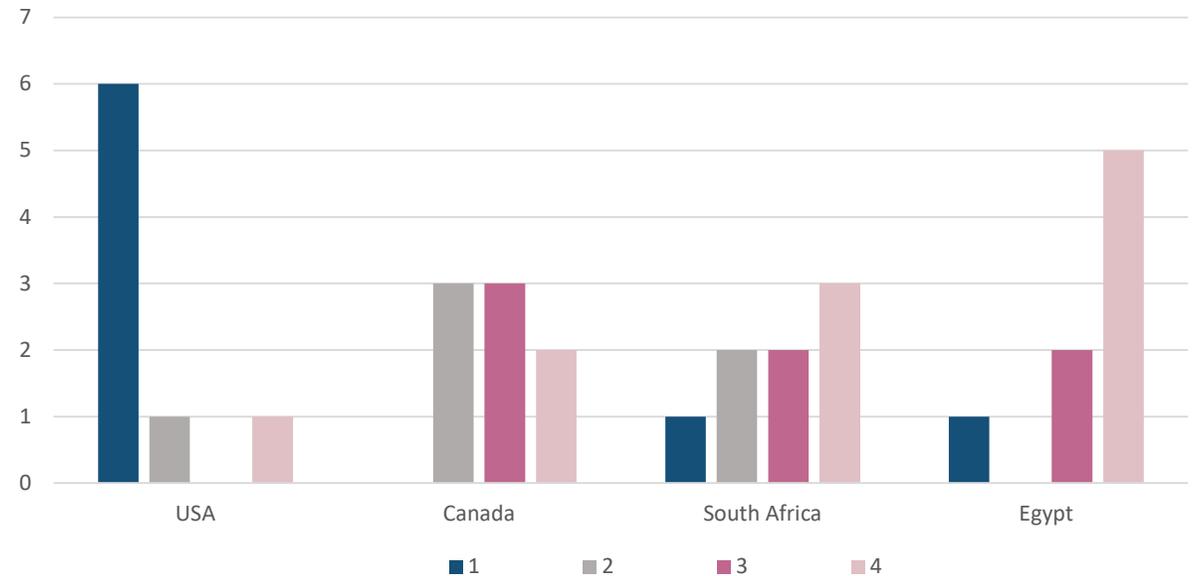
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FOCUS ON THE THIRD MARKETS

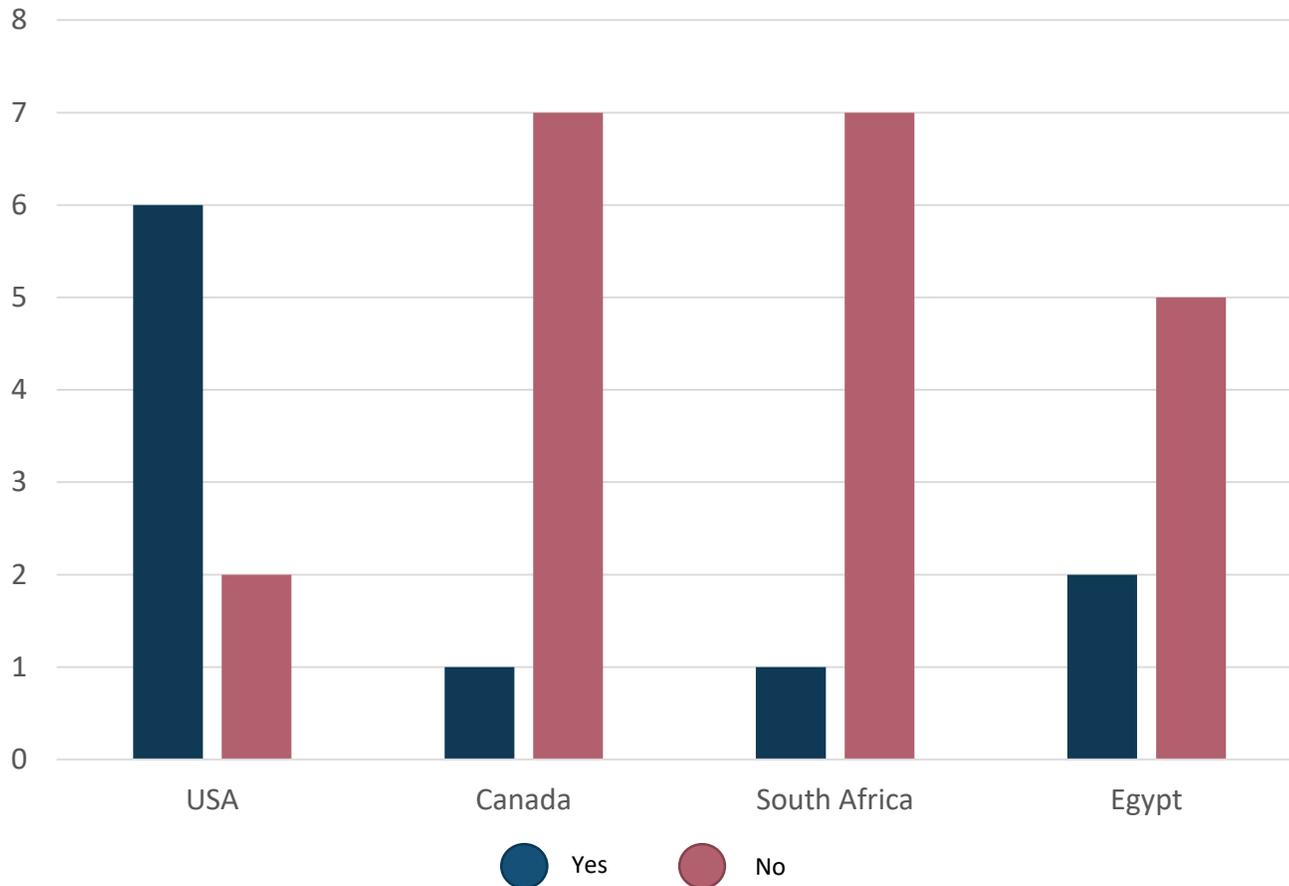
Project partners ranked their interest in opening a joint representation office in the target countries as follows:

- 6 out of 8 project partners rank USA as their top interest.
- Second most anticipated country to open a JRO is Canada.
- South Africa ranks third.
- Egypt is considered least prospective from the consortium members.

Ranking the interest in third countries
from 1 (high) to 4 (low)



ESTABLISHED BUSINESS CONTACTS AND RELATIONS IN TARGET THIRD COUNTRIES



Most of the project partners have already established contacts at cluster level in USA and also have members that are doing business on this market for example in hospitality industry for contracts, mainly bespoke furniture for hotels.

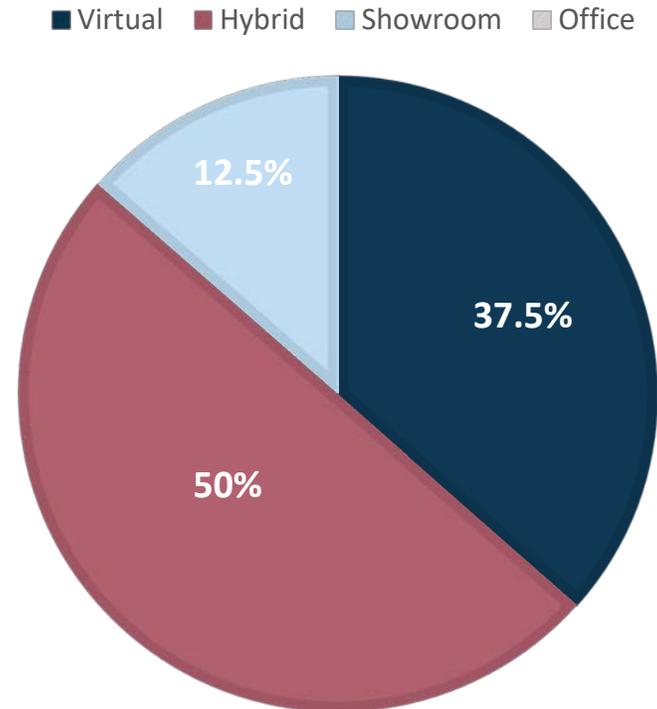
Canada, South Africa and Egypt are less explored as potential markets and clusters and their members have limited contacts and more random sales.

MODEL OF THE JOINT REPRESENTATION OFFICE

Project partners acknowledge the change in the model we do business in a post-COVID market and the increasing importance of digital means. Virtual component is considered as flexible, scalable and buildable and also more affordable in financial aspect solution by almost all partners.

However, trading with furniture especially in contracts requires the touch and feel approach and an availability of a physical space that can serve as an exhibition and as an event place is perceived as a necessity by half of the partners.

RESPONDENTS RANK



FUNDING OF THE JOINT REPRESENTATION OFFICE

Most of the partners unite on a mixed model of funding the JRO combining public and private sources.

Public funds – EU and /or national are perceived as necessary in the initial phase of establishing a JRO.

Private – trough membership fees from companies and taxes for services provided - for guaranteeing sustainability.

MANAGEMENT OF THE JRO

When asked whether they can manage a prospective joint representation office in the country they are most interested in, project partners responded as follows:

- Transylvanian Furniture Cluster and Bulgarian Furniture Cluster are inclined in managing the JRO in USA.
- The rest of the consortium partners say they are not ready for such commitment at this moment or need to evaluate it further.

POSSIBLE LOCAL PARTNERS IDENTIFIED AT INITIAL EXPLORATORY VISIT IN USA



American Institute of Architects - AIA (CHICAGO)

<https://www.aia.org/>

Contact: Susana Babic, Architect

ICCF Fair (NEW YORK)

<https://icff.com>

Contact: Phil Robinson, Show Director

High Point Exhibitions, Inc. - HIGH POINT

www.highpointexhibitions.com

Contact: Alfred L Bolton, Managing Director

Nevada Governor's Office of Economic Development's - LAS VEGAS

<https://goed.nv.gov/>

Contact: Dijana Mitrovic International Business Development Coordinator

West Virginia University, Morgantown

<https://www.wvu.edu>

Contact: Dénes Levente, professor

OTHER POSSIBLE LOCAL PARTNERS IN USA



American Chamber Of Commerce In Bulgaria

<https://amcham.bg>

Bulgaria Innovation Hub, Inc. – San Francisco

<https://www.bghub.io/>

The European American Business Organization Inc. (New York)

<http://www.eabo.biz>

European-American Chamber of Commerce (New York)

<https://eaccny.com/>

Trans Atlantic Business Council (Washington)

<https://transatlanticbusiness.org/>

The American-Central European Business Association (ACEBA) (Washington)

<https://aceba.org>

European American Enterprise Council (San Francisco)

www.eaecouncil.com

National embassies or consulates in USA of the project partners. National business development agencies.

POSSIBLE LOCAL PARTNERS IDENTIFIED AT INITIAL EXPLORATORY VISIT IN SOUTH AFRICA



South African Furniture Industry Association (SAFI)

<http://furnituresa.org.za/>

Contact: Bernadette Isaacs- CEO, bernadette@furnituresa.org.za

Wesgro - Tourism, Trade and Investment Promotion Agency for Cape Town and the Western Cape

<https://www.wesgro.co.za/>

Contact: Zaheer Hendricks - Investment Promotion, zaheer@wesgro.co.za

Fechters Furniture

<https://www.fechters.co.za/>

Contact: Morne Smith- Director, morne@fechters.co.za

BizRev Holdings (Pty) Ltd. - Advisory

<https://www.bizrev.co.za/>

Contact: John Noble- Director, john@mybizniz.co.za

The Craft and Design Institute

<https://www.thecdi.org.za/>

Contact: Erica Elk – CEO, erica.elk@thecdi.org.za

City of Capetown

<http://www.capetown.gov.za/>

Contact: Soraya Mohideen - Principal Officer: Catalytic Sectors,
soraya.mohideen@capetown.gov.za

Business Sweden

<https://www.business-sweden.com/>

Contact: Rupa Thakrar Bagoon - Trade Commissioner & Country Manager,
South Africa, Rupa.ThakrarBagoon@business-sweden.se

National embassies or consulates in Republic of South Africa of the project partners. National business development agencies.

POSSIBLE LOCAL PARTNERS IDENTIFIED AT INITIAL EXPLORATORY VISIT IN CANADA



European Union Chamber of Commerce to Canada (EUCCAN)

<https://euccan.com/>

Canada Bulgaria Business Network.

<http://www.canadabulgaria.com>

Canadian Bulgarian Chamber of Commerce

<https://cbcc.bg/>

Canadian Home Furnishings Alliance

<http://www.chfaweb.ca>

**National embassies or consulates in Canada of the project partners.
National business development agencies.**



Co-funded by the COSME programme
of the European Union

POSSIBLE LOCAL PARTNERS IDENTIFIED AT INITIAL EXPLORATORY VISIT IN EGYPT



CEEBA - Confederation of Egyptian European Business Associations

<https://ceeba.org>

Federation of Egyptian Chambers of Commerce

<http://www.fedcoc.org.eg/>

Cairo Chamber of Commerce

<http://cairochamber.org.eg>

General Authority for Investment (GAFI)

www.gafi.gov.eg/English/Pages/default.aspx

General Authority for Export & Import Control (GOEIC)

<https://www.goeic.gov.eg/>

National embassies or consulates in Egypt of the project partners. National business development agencies.

MARKET ENVIRONMENT ANALYSIS

The analysis is focused on the most current:

- Political and Economic Outlook
- Competitive Environment
- Consumer Behaviour



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USA



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POLITICAL AND ECONOMIC OUTLOOK

Highlights

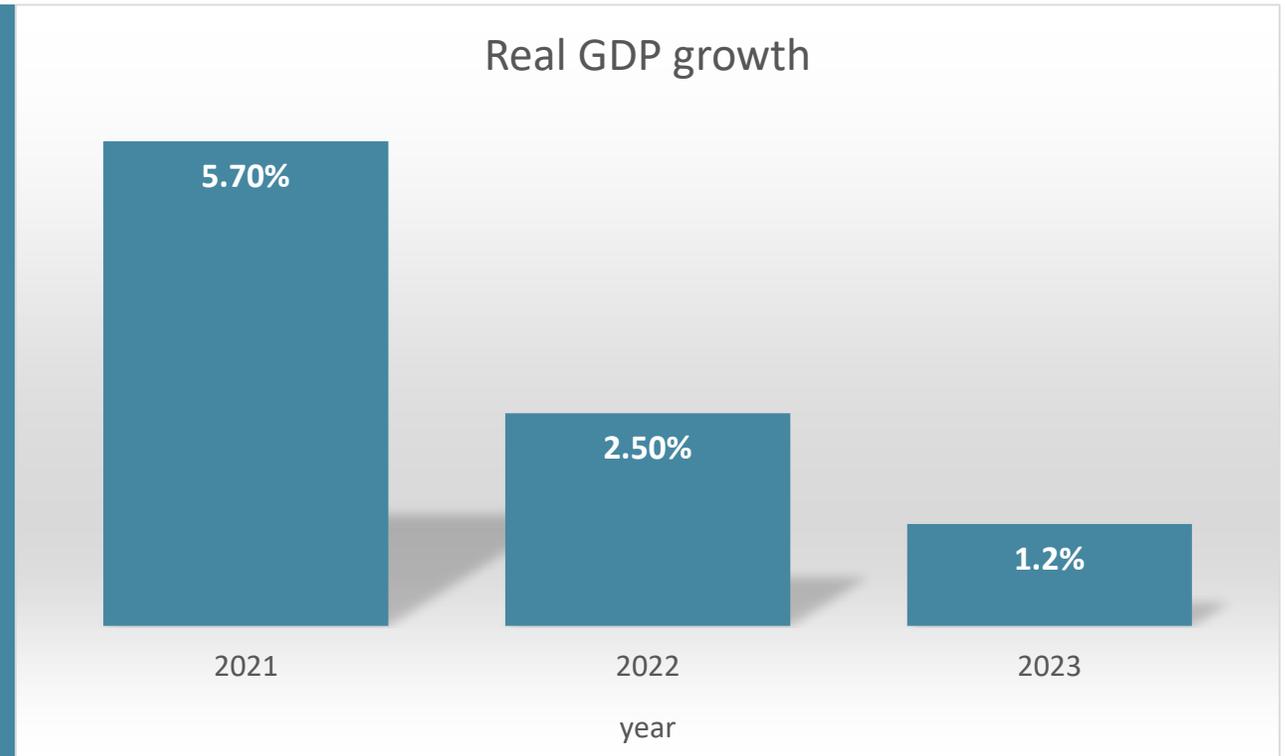
- The pace of GDP growth is anticipated to weaken from its recent very high levels to 2.5% in 2022 and 1.2% in 2023.
- Wage growth will stay strong, as the labour market is expected to remain tight, despite an increase in labour force participation as receding health risks and higher wages prompt workers to return to the labour force.
- Inflation will remain high above the Federal Reserve's target, reaching 8.1 in August 2023.
- Supply disruptions may take some time to fully ease, especially given the impacts of the war in Ukraine and COVID-related lockdowns in China.
- Despite limited direct trade linkages with Russia, the further decarbonisation of the United States energy system has become more pressing given the rise in global energy prices.
- Building fiscal pressures might require improved public spending efficiency, in areas such as health, and broadening the tax base.

Source: OECD Economic Outlook 111 database.



GDP AND DEMAND

- The pace of GDP growth is anticipated to weaken from its recent very high levels to 2.5% in 2022 and 1.2% in 2023.
- Private consumption rose by an annualised rate of 3.1%. The share of goods consumption remains high by historical levels, but there has been a gradual reorientation of spending back towards services as the economy has further reopened and the population has adjusted to living with COVID-19.
- Stronger domestic demand has boosted imports, particularly of goods.

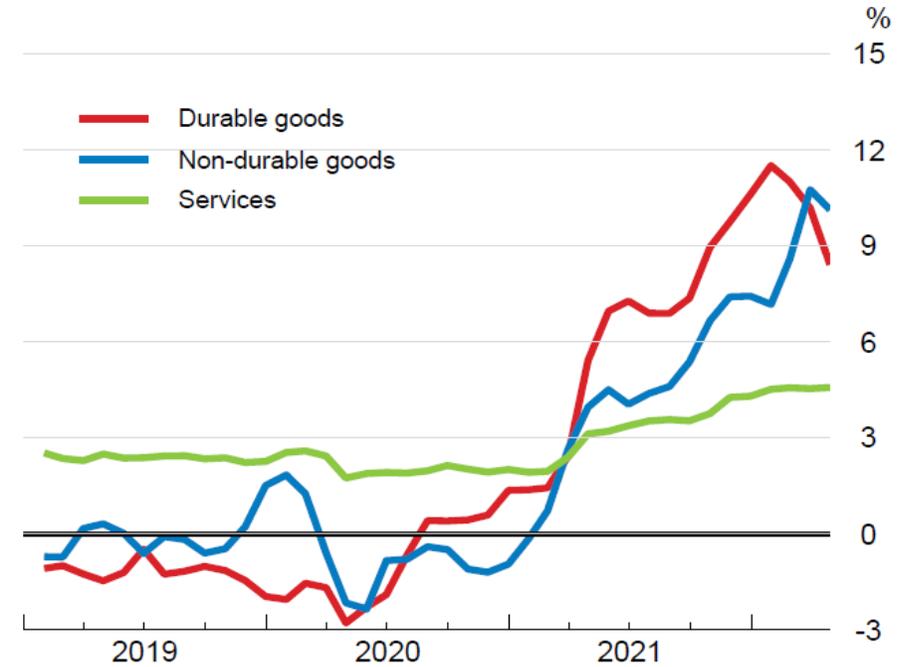


Source: OECD Economic Outlook 111 database.

INFLATION

As in other countries, energy and food prices have spiked (ca 33% and 11% respectively), eroding the purchasing power of households. However, underlying inflationary pressures have also risen markedly as strong demand continues to run up against supply constraints, with price pressures having broadened from goods to services components. The annual inflation rate in the US slowed to 8.1% in August of 2022 from an over 40-year high of 9.1% hit in June.

Inflationary pressures have broadened



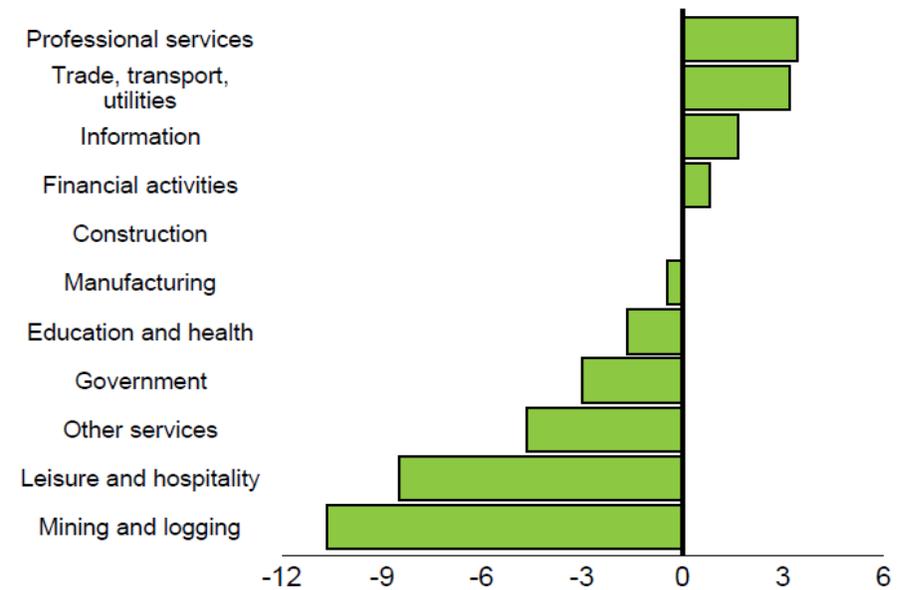
Source: OECD Economic Outlook 111 database.

LABOUR MARKET

- Labour market demand continues to be very strong and a depressed participation rate that still remains below its pre-pandemic level has contributed to acute labour shortages in some sectors and rising nominal wages.
- Lack of available workers to fill jobs is considered “bigger threat” to the economy than inflation, according to Labor Secretary Walsh.

The employment recovery has varied by sector

% change in employment (Feb 20-Apr 22)



Source: OECD Economic Outlook 111 database.

WAR IN UKRAINE

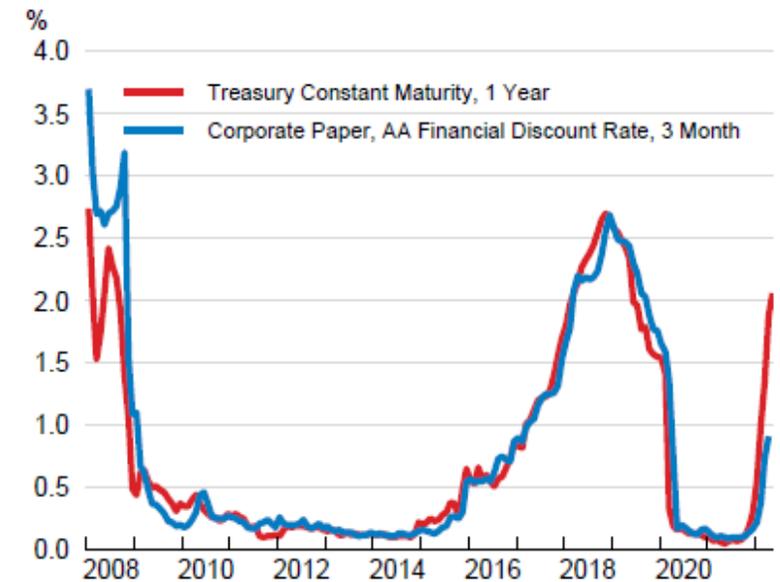
- The direct trade implications on the United States of the war in Ukraine and sanctions on Russia are limited. Just 3% of crude oil imports and 1% of total crude oil processed by US refineries derive from Russia. Furthermore, the United States is a net exporter of natural gas and is the second largest exporter of wheat in the world. Even so, there is a greater reliance on Russia for some other energy commodities, such as uranium, and there have been material indirect effects through global markets.
- The embargo on Russian oil imports by the European Union is expected to push global oil prices even higher in 2023.
- Disruptions to key inputs for semiconductors and transport equipment produced in Ukraine and Russia (e.g. palladium, argon, neon) and lockdowns in China could also create supply disruptions that impact production in the United States.



GOVERNMENT INTERVENTION

- The major pandemic-related fiscal programmes have expired. There may be a need for new fiscal measures to cushion the impact of war in Ukraine or a broader economic slowdown.
- The tightening of monetary policy is already having a notable impact on market interest rates: the rate on a 30 year fixed rate mortgage has risen by over 2% since the start of 2022.
- OECD projections assume that the policy rate will be raised in pursuit of maintaining price stability and full employment, with the Federal Funds Rate reaching 3-3.25% by the end of 2023.

Interest rates have risen sharply



Source: OECD Economic Outlook, Volume 2022 Issue 1: Preliminary Version

COMPETITIVE ENVIRONMENT

Highlights

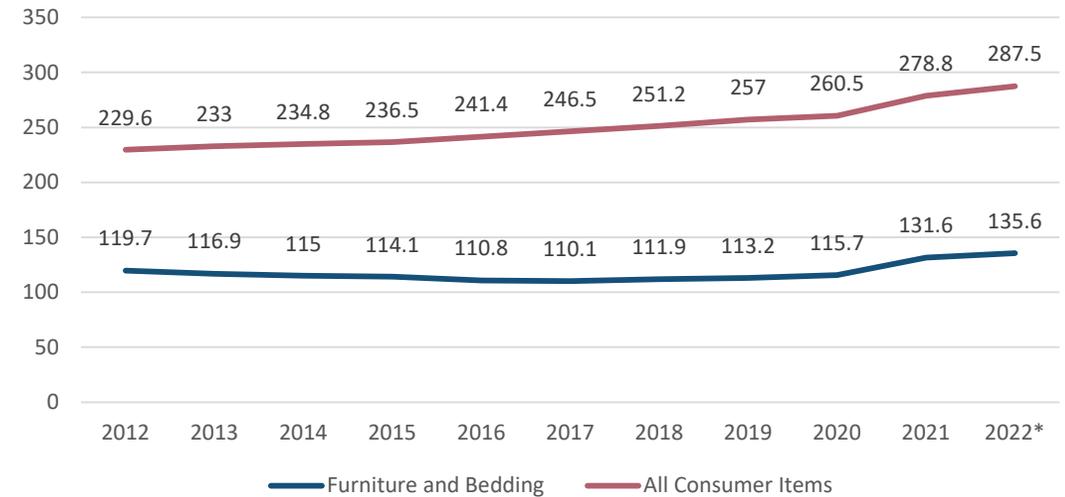
- In 2021, the furniture market continued to experience significant growth due in large part to COVID-19 restrictions requiring many people to stay home. According to Home Furnishings Business, traditional retailers in the furniture industry witnessed a 21.8% increase in sales and 13.2% in profits in 2021.
- In 2022, we expect easing COVID-19 restrictions, rising inflation, and increasing energy prices to put downward pressure on furniture market growth. The expected total sales of all USA home furnishings for 2022 is USD 125.5 Billion / +4.1%.
- Millennials who are preparing to buy their first home in the next three to five years are seen as major contributors to furniture market growth.
- Major challenges are product availability and supply chain disruptions coupled with a lack of personnel to deliver the products to consumers



PRICES

- After all the decades of holding back, furniture prices grew significantly. Between 2012 and 2020, prices for all consumer items grew 13.5%. Meanwhile, furniture prices fell 3.3% during the same period.
- In 2021, consumer item prices grew 7%, but we saw a significant 14% increase in furniture prices.
- The prices stabilized in the first months of 2022, increasing around 3% for all consumer items and furniture.

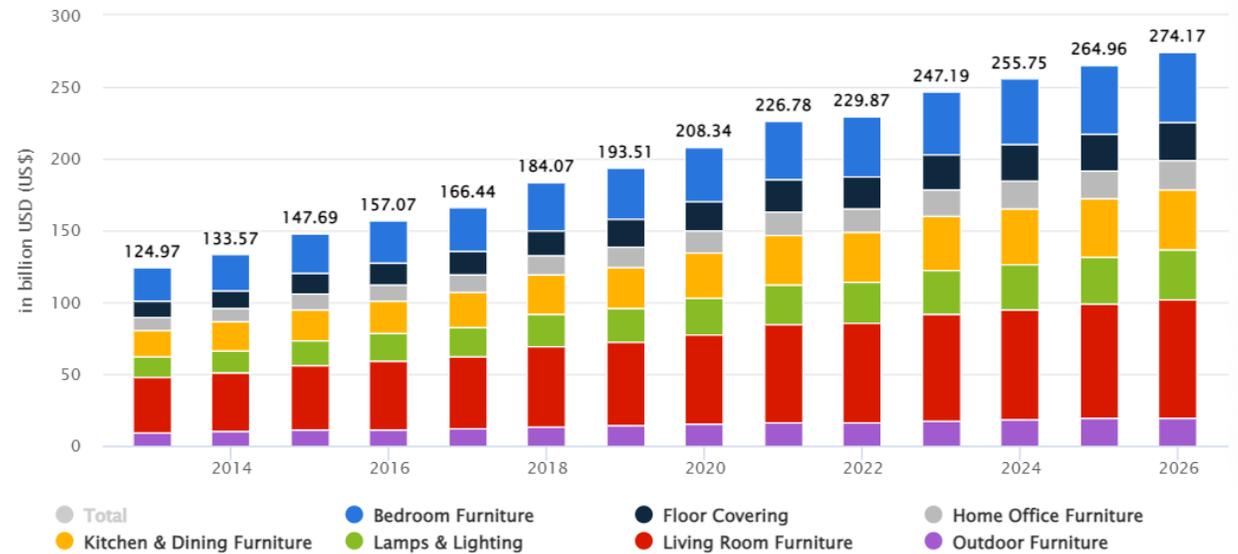
Consumer Price Indexes
Furniture and Bedding vs All Consumer Items



Source: US Bureau of Labor Statistics

REVENUE BY SEGMENT

The segment with biggest share in revenue is Living room furniture with 69 Billion USD expected in 2022, followed by Bedroom furniture – 42 Billion USD and Kitchen and dining furniture – 34.6 Billion USD. This trend that is expected to remain unchanged.



Source: Statista

IMPORT

► Breakout of U.S. Furniture Imports, 2020 By source country



USA imports mainly from Asia with China and Vietnam forming 2/3 of all imported furniture.

EXPORT

10 largest source countries of U.S household furniture exports \$ millions

	Jan.-June 2021	Jan.-June 2020	% change from 2020
VIETNAM	\$5,121.5	\$2,909.9	76%
CHINA	\$4,598.2	\$3,360.6	37%
MALAYSIA	\$873.0	\$539.0	62%
MEXICO	\$836.6	\$498.0	68%
CANADA	\$642.8	\$546.7	18%
INDONESIA	\$604.8	\$415.5	46%
ITALY	\$554.6	\$322.6	72%
INDIA	\$255.3	\$158.8	61%
THAILAND	\$219.3	\$111.5	97%
POLAND	\$181.4	\$101.0	80%
WORLD TOTAL	\$15,094.3	\$9,754.3	56%

Source: U.S. Furniture Market Report, HPE, 2022

THE TOP U.S. FURNITURE OEM (ORIGINAL EQUIPMENT MANUFACTURER) BUYERS

ASHLEY FURNITURE

Ashley Case Goods
Ashley Upholstery
Millennium

BASSETT

Bassett Custom
Upholstery Bassett
Leather
Bassett Custom Wood
Bassett Casegoods

DOREL

Altra, Ameriwood
Signature Sleep DHP
Alphason
Cosco Home & Office
Dorel Living

HOOKER FURNISHINGS

Hooker Casegoods
Hooker Upholstery
Bradington-Young

Sam Moore

Shenandoah Furniture

H Contract

Samuel Lawrence
Furniture

Samuel Lawrence
Hospitality

Pulaski Furniture

Prime Resources
International

Accentrics Home

HMidea

KLAUSSNER

Enso Sleep Systems

Comfort Design

Trisha Yearwood Home
Collection

SAMSON

LacquerCraft
Universal Legacy
CraftMaster Furniture

Miranda Kerr Home

Paula Deen Home

LC Kids

Inspirations by Wendy
Bellissimo

LacquerCraft Hospitality
Coastal Living

LA-Z-BOY

England

Kincaid

Joybird

American Drew

Hammary

ROCK HOUSE FARM

Cabot Wrem
Century Hickory Chair
Hancock & Moore

Highland House

Jessica Charles

Maitland Smith

Pearson

SAUNDER

WOODWORKING

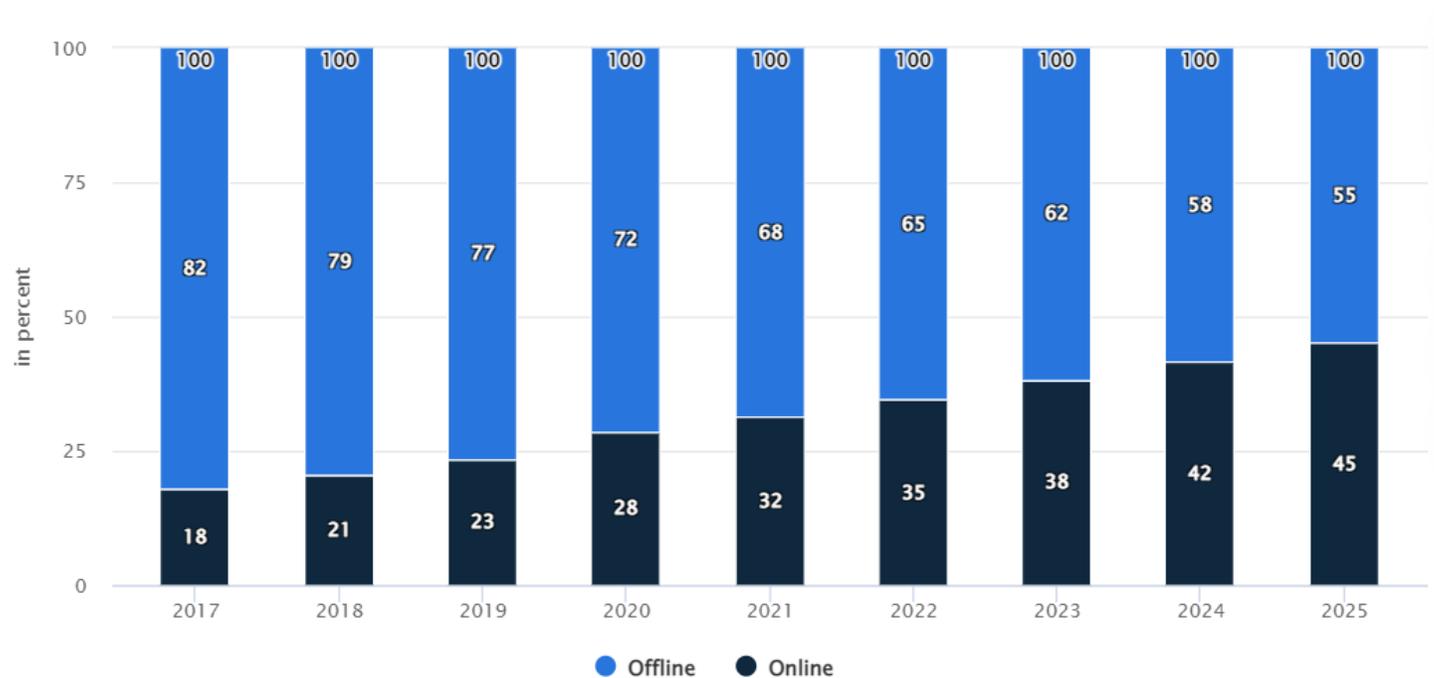
Saunder Manufacturing

Progressive Furniture

MAIN CHANNELS OF DISTRIBUTION

- Traditional Retail Furniture Stores (Haverty's, Rooms to Go, American Furniture Warehouse)
- Online Retailers (Overstock, Wayfair, Furniture.net)
- Importer /Distributor who then Re-Sells to Retailers
- Big Box Retailers (Homegoods, Big Lots, Walmart, Target, Costco)

SALES CHANNELS RATIO

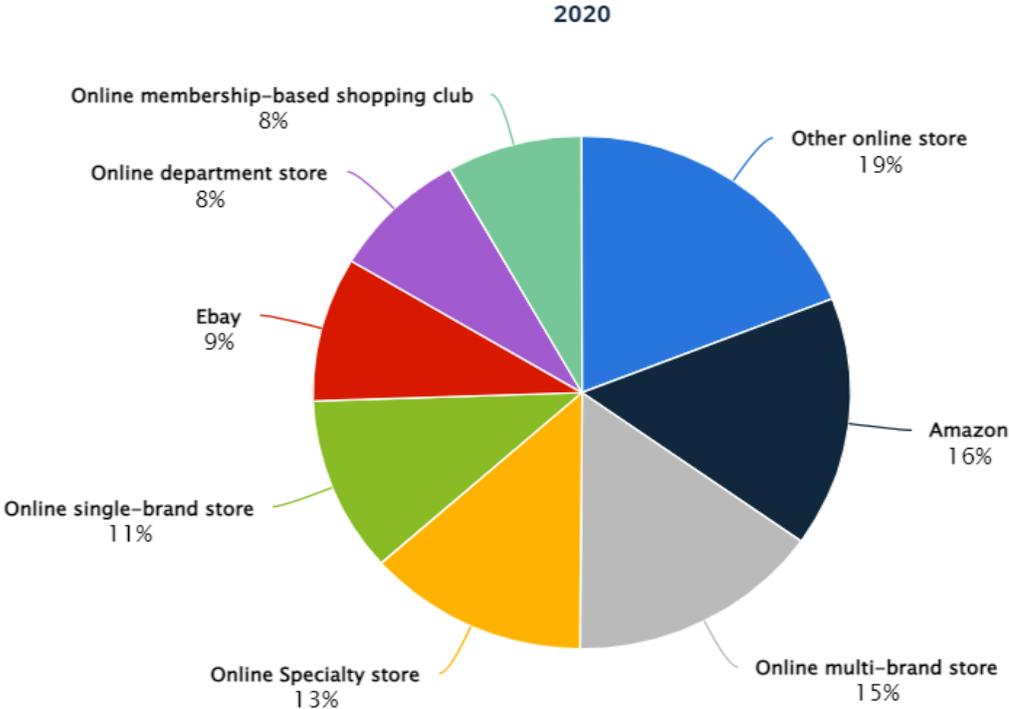
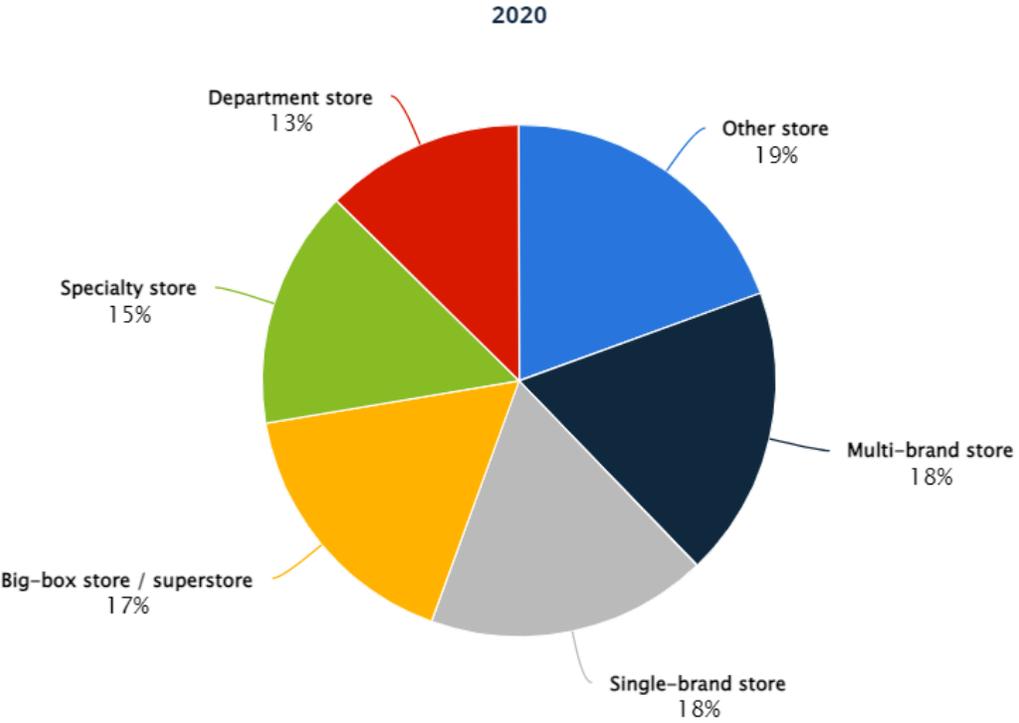


Source: Statista

EXPENDITURE PROPORTION BY OFFLINE CHANNELS

ONLINE CHANNELS

i in percent



Source: Statista

CUSTOMER BEHAVIOR TRENDS

Highlights

The past two years were marked by a significant shift in customer behavior. Customers have discovered that they like shopping online, but they're also going back to brick-and-mortar stores. They're traveling again, but they're continuing to spend money on sprucing up their homes.

As the world witnessed the second year of the pandemic, furniture retailers were exposed to new market headwinds — increased inflation and shaken customer confidence.

Key areas of attention:

- sustainability
- e-commerce merchandising
- new customer touchpoints
- Harnessing technology is seen as a core enabler across several areas of next generation retail.



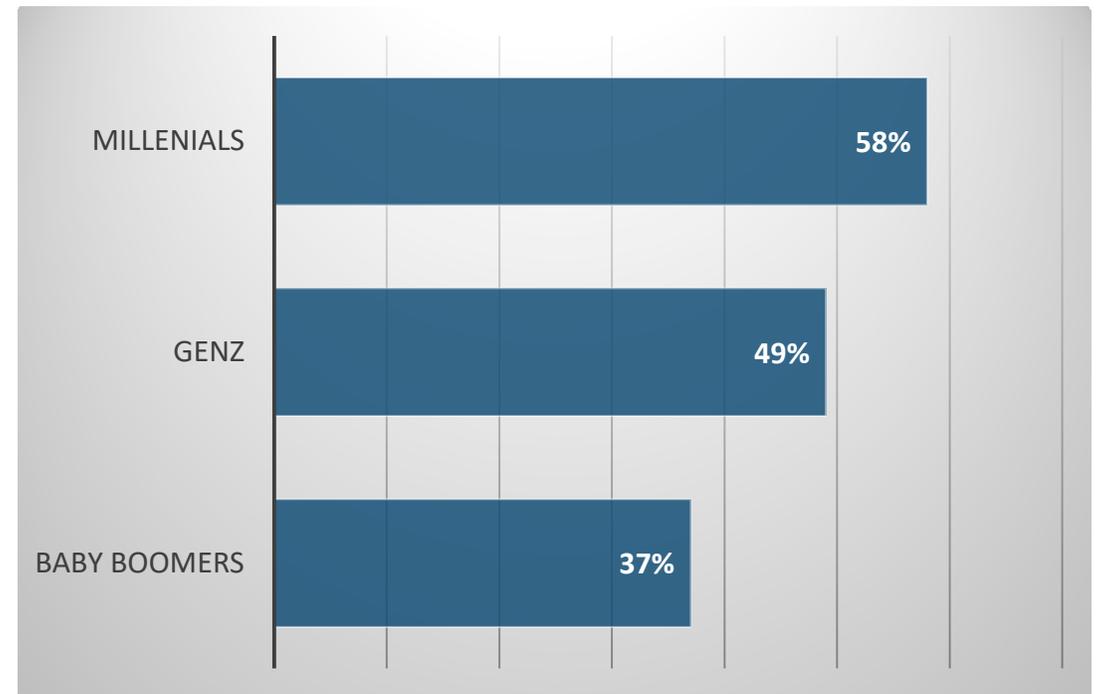
Source: Euromonitor International, Home Furnishings in the US, July 2022; Top 100 USA Furniture Retailers Report, 2022

SUSTAINABILITY TAKES PRIORITY

Even though it has been slower to arrive than in other industries, sustainability has a clear path in the future of furnishings in the US, as manufacturers are committed to increasing their sustainability initiatives. During 2021, IKEA confirmed that more than 99% of the wood used in its products is FSC certified or recycled wood.

INDUSTRY TO CONTINUE EMBRACING AR AND INNOVATION TO PUSH E-COMMERCE

- E-commerce is expected to be the most dynamically growing channel especially in home furnishings, taking further value sales from store-based retailing. More consumers have embraced online shopping, changing overall shopping habits and accelerating the growth of e-commerce. Data from Searchmetrics shows that almost two-thirds (62.3%) of searches in the furniture sector are transactional.
- Online shopping is no longer only for digitally native customers. Research from Furniture Today shows that 58% of millennials, 49% of Gen X consumers, and 37% of baby boomers are likely to make their next furniture purchase on the internet.
- The rapid digitization of commerce has completely transformed customers' expectations. To cater to their needs, retailers are improving the e-commerce experience to meet customers where they are. Customers expect an immersive experience that answers all their questions. From improved visualization and engagement to higher conversion rates and pleasant shopping experiences, 3D technology will be the frontier of commerce for the years to come.



Source: Top 100 USA Furniture Retailers Report, 2022

CUSTOMER INSPIRATION THROUGH USER-GENERATED CONTENT

User-generated content (**UGC**) is any form of original content created by customers and published on social media or other channels. There are many different UGC forms, including images, videos, product reviews, testimonials, and every other content that promotes your brand.

Incorporating UGC as part of the marketing strategy has proven to be game-changing for retailers as it instills a sense of trust in customers. As reported by PRWeek, 86% of consumers seek out authentic user-generated content before deciding to buy a product they've not personally tried before.

PHYSICAL FOOTPRINT EXPANSION

E-commerce has transformed the role of brick and mortar. Moving forward, physical stores will still play a critical role in pushing business objectives and commercial targets forward —the store will become the hallmark of experiential retail. Similar to the online experience, technology plays a major role in the stores by allowing customers to get 360-degree product views, see fabric combinations, and watch product videos while working directly with design experts in-store.

Even though online sales will continue to rise, brick-and-mortar stores will still remain one of the core pillars of furniture retail.

FLEXIBLE PAYMENT OPTIONS

Furniture is a big-ticket item, and not everyone can afford to pay for pricier furniture items in one payment. As online shopping surged during the pandemic, a new phenomenon gained popularity. Customers took advantage of opportunities to buy products and pay over time.

Buy now, pay later (**BNPL**) is a type of short-term financing that allows consumers to make purchases and pay for them at a future date, often interest-free. Some of the biggest furniture retailers are already offering this option by partnering with different providers such as Affirm, Klarna, and Afterpay.

Research from the financial analysis website The Ascent shows that furniture is one of the top three categories where customers make purchases using the buy now, pay later method — 39% of users say they've used BNPL to buy furniture. Adopting BNPL offers many advantages for furniture retailers, including higher conversion rates, average order value, and access to new customer segments

CANADA



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POLITICAL AND ECONOMIC OUTLOOK

Highlights

- Canada's economy has largely recovered from the COVID-19 crisis. Domestic demand is picking up following the easing of containment measures. Real GDP is projected to grow by 3.8% in 2022 and 2.6% in 2023.
- Exports are expected to strengthen, demand for commodities buoying trade amid shocks to world growth.
- Limited trade ties to economies hard-hit by the war in Ukraine, and income from high resources prices, shield Canada from larger economic impacts.
- Global supply tensions will keep price growth high this year, compounding underlying inflationary pressures.
- Unemployment will remain low as output rises slightly above potential.

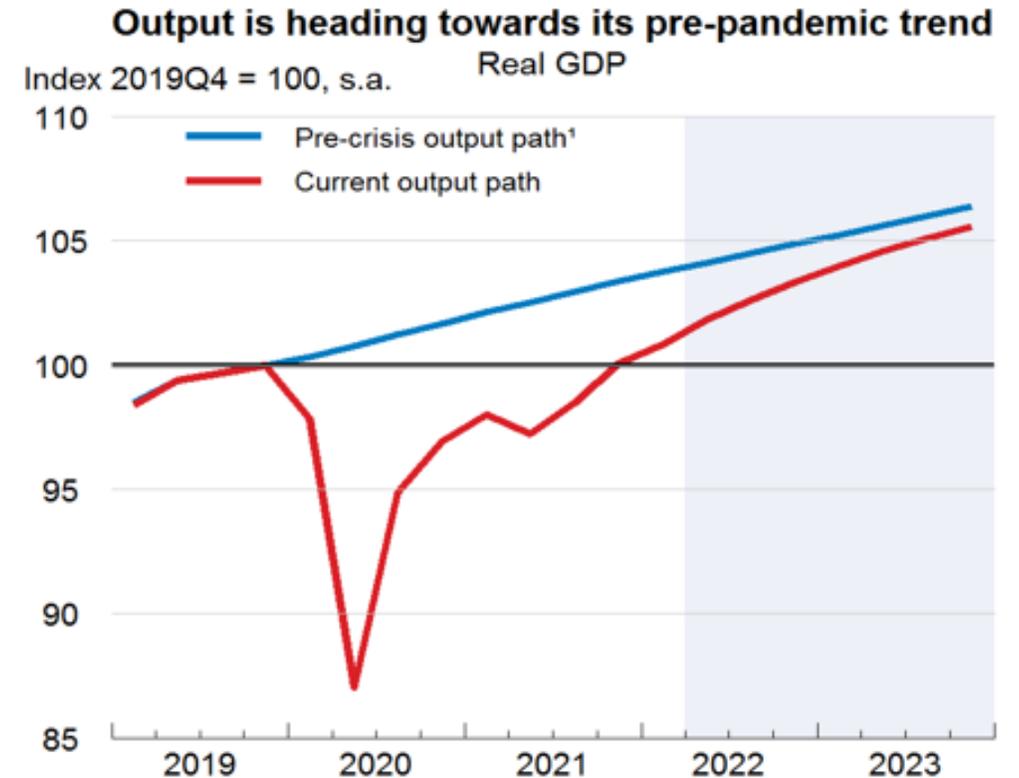


GDP AND DEMAND

Real GDP is projected to grow by 3.8% in 2022. Solid growth in recent months also reflects contributions from resources sectors, construction and manufacturing. Higher energy prices are boosting merchandise export values, which are also benefiting from increased demand for metals and fertilisers.

Firms' investment plans are strong, in line with sales growth and capacity pressures.

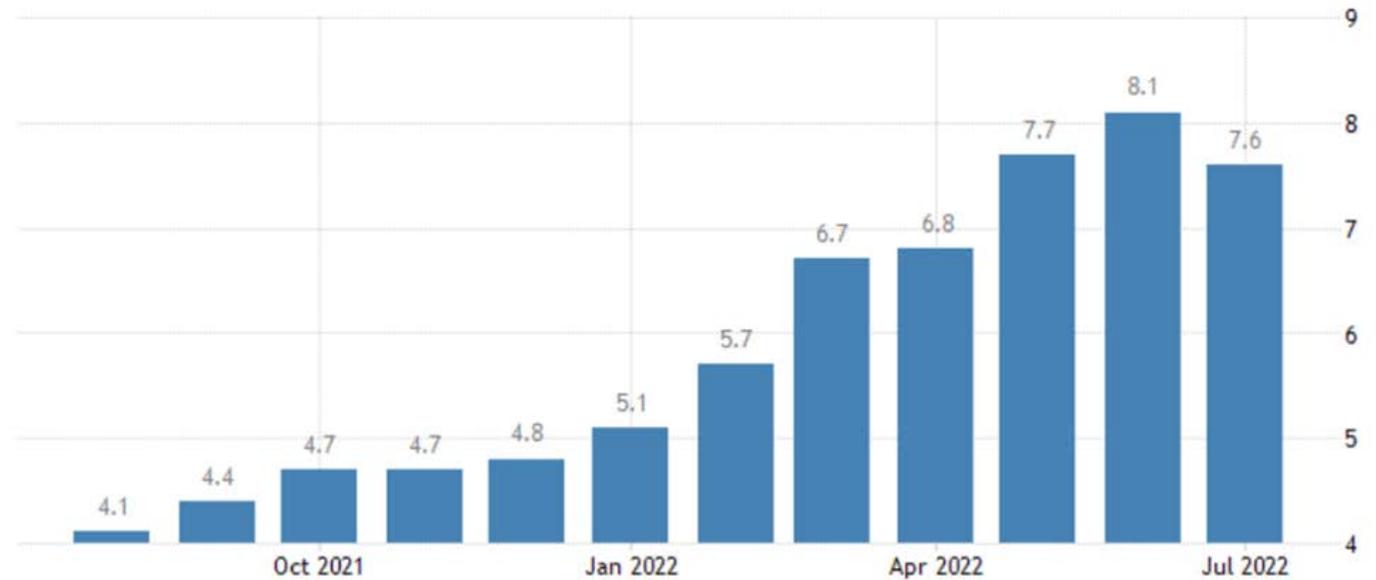
The forecast for 2023 projects Real GDP to grow by 2.6%.



¹The pre-crisis output path is based on the November 2019 OECD Economic Outlook projection, with linear extrapolation for 2022 and 2023 based on trend growth in 2021.
Source: OECD Economic Outlook 106 and 111 databases.

INFLATION

- Food and energy price rises will squeeze household purchasing power, with quarterly consumer price inflation peaking at an annualised rate of 7.6% in July 2022.
- Households are spending more of their disposable incomes and saving less than in 2021. This is allowing many to maintain consumption in the face of rising prices.
- Rising interest rates should temper housing price growth in the near term.

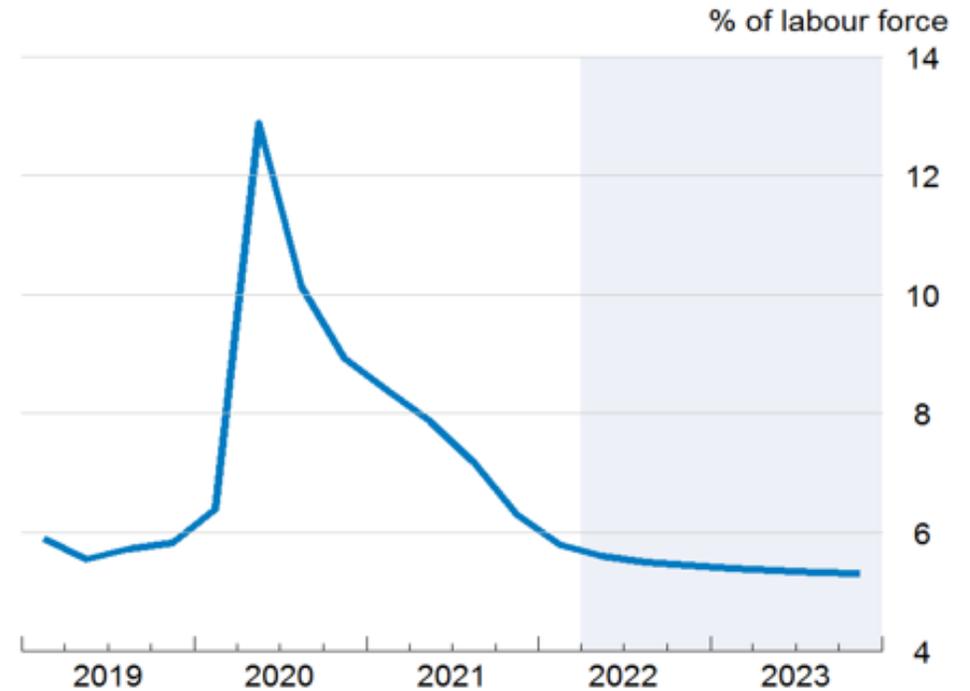


Source: tradingeconomics.com | Statistics Canada

LABOUR MARKET

- Supply challenges have been exacerbated by labour shortages. Increased competition for workers and rising wage growth point to an economy operating near full employment.
- Higher immigration could alleviate labour shortages and wage pressures in supply-constrained industries.

The unemployment rate will remain low



Source: OECD

WAR IN UKRAINE

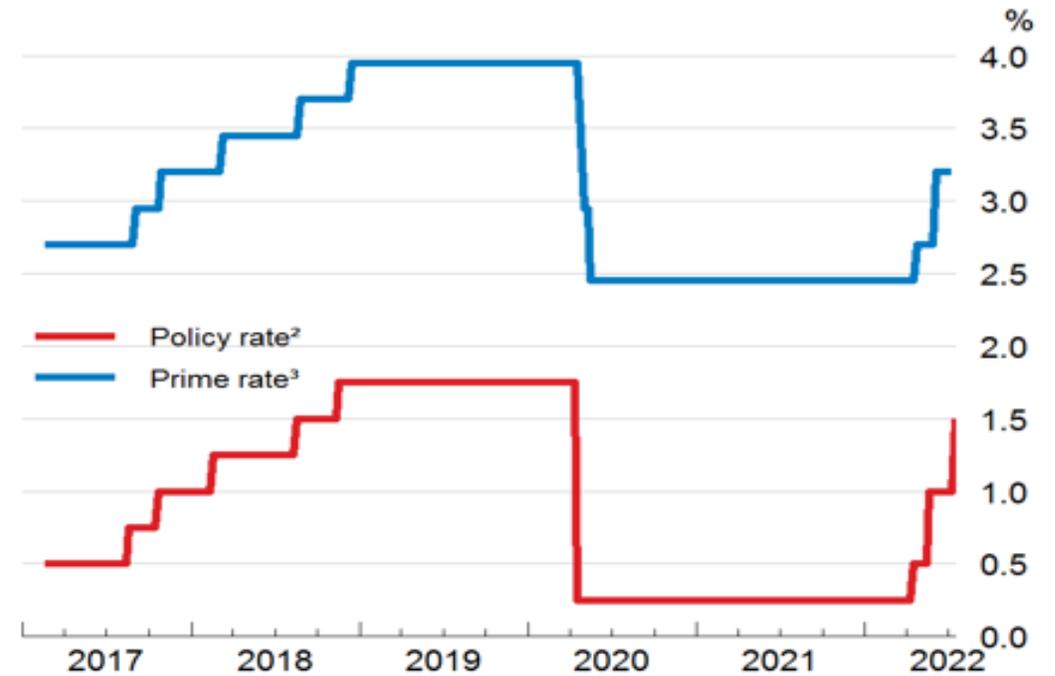
- Food and energy price rises following Russia's invasion of Ukraine are contributing to high inflation. Despite terms of trade gains, the value of the Canadian dollar is little changed against the US dollar, leaving import price pressures strong. Higher resource revenues are, however, boosting incomes and helping offset foreign demand shocks. Domestic production of wheat, energy and metals protects Canada from acute supply shortages.
- A prolonged conflict in Ukraine would weaken foreign demand and bring stronger price rises, but also larger commodity revenues. Elevated uncertainty could damp businesses' investment plans and encourage more precautionary saving among households.
- On top of higher skilled-migration targets, a fee-exempt immigration stream has been set up for people fleeing Ukraine. Over 240 000 applications had been received as of late May (equivalent to 0.6% of Canada's population). The federal budget proposes additional funding for military and financial aid to Ukraine.



GOVERNMENT INTERVENTION

- The Bank of Canada has stepped up monetary policy tightening. An increase in June 2022 brought the benchmark interest rate to 1.5%.
- The projections assume the policy rate will increase to 2.5% by early-2023.
- To reduce the burden of rising consumer prices this year, provincial governments have deployed measures ranging from fuel-tax cuts to one-off transfers to lower-income households.
- The federal government is focusing on alleviating housing costs, using supply-side interventions and support to first-time buyers.

Interest rates are rising



2. Policy rate is the Bank of Canada's target average rate for overnight money market financing.

3. Prime rate is the typical benchmark set by Canada's six major chartered banks to determine interest rates for variable-rate mortgages and other loan products.

Source: Statistics Canada; Bank of Canada; and OECD calculations.

COMPETITIVE ENVIRONMENT

Highlights

- Canada is one of the world's top ten furniture producers. Revenue in the Furniture market is projected to US\$14.29bn in 2022.
- An increase in disposable income, the growing residential and commercial spaces, and the rising urbanisation are some of the primary reasons boosting the demand, the market is expected to grow annually by 6.80% (2022-2026).
- The market is consumer-oriented, with household sales for living room, bedroom, and dining room furniture accounting for the majority share, followed by expenditure on other furniture categories.
- The growth in the infrastructure sectors, like real estate, hospitality and banking, is also responsible for the increased demand for commercial furniture.
- The impact of the Covid-19 crisis on consumer behavior and manufacturing trends has heightened the importance of digitalization and automation for the furniture industry.



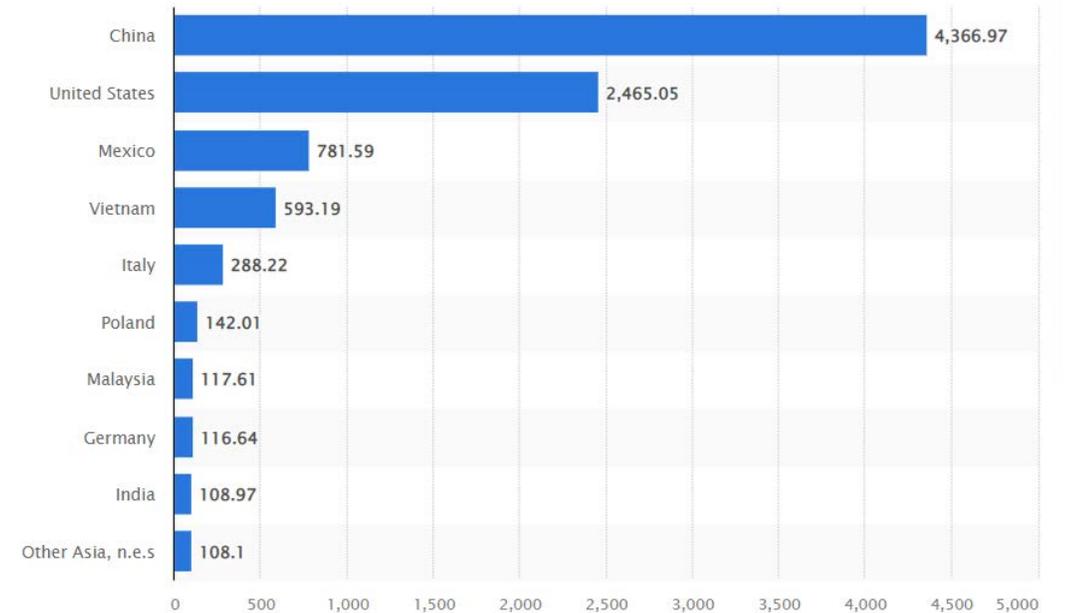
IMPORT

In 2021, China was the leading supplier country of furniture to Canada. In that year, the trade value of furniture imported to Canada from China amounted to approximately 4.37 billion U.S. dollars.

The United States ranked in the second place with imports valued at around 2.47 billion U.S. dollars.

Italy, Poland and Germany are among top EU exporters.

Value of furniture imported to Canada in 2021, by country of origin (in million U.S. dollars)



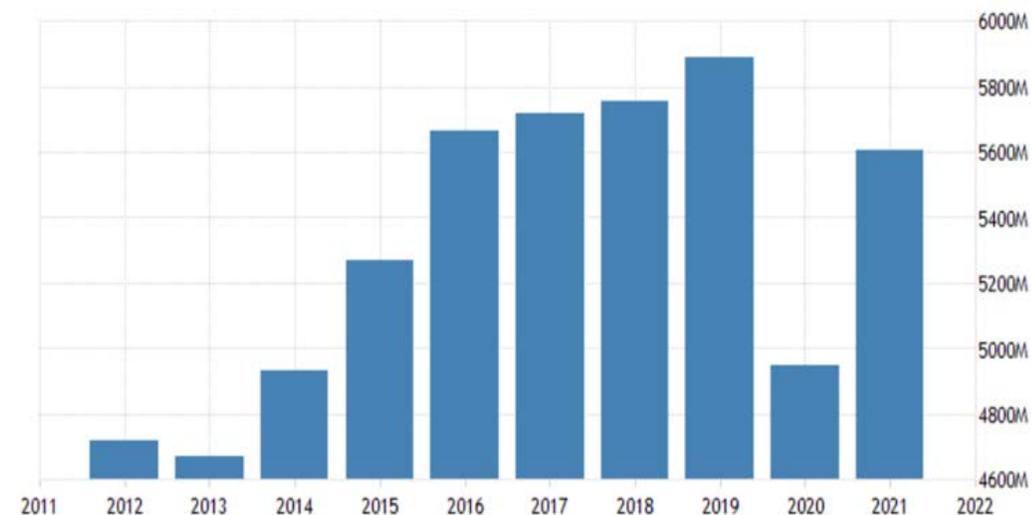
Source: Statista

EXPORT

Canada has still to reach the pre-COVID volumes of export. Canada Exports of furniture, lighting signs, prefabricated buildings was US\$5.61 Billion during 2021, according to the United Nations COMTRADE database on international trade.

The United States was by far Canada's biggest export partner for furniture in 2021. In that year, the trade value of furniture exported from Canada to the United States amounted to approximately 5.36 billion U.S. dollars. Mexico ranked in second place with exports from Canada valued at around 33.32 million U.S. dollars.

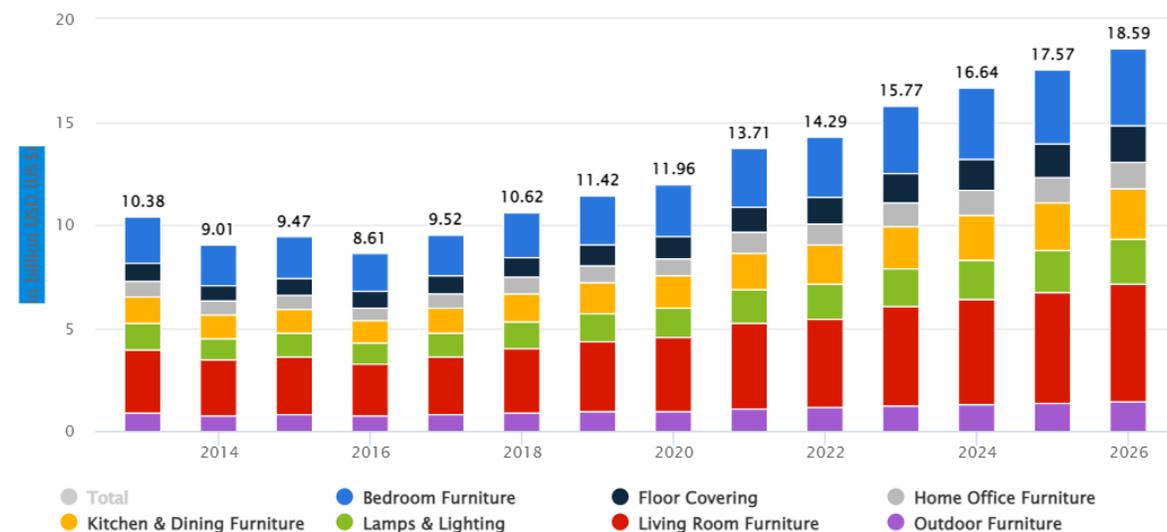
Canada Exports of furniture, lighting signs, prefabricated buildings



Source: Comtrade | tradingeconomics.com

REVENUE STRUCTURE

The segment with biggest share in revenue is Living room furniture with 4.31 Billion USD expected in 2022, followed by Bedroom furniture – 2.96 Billion USD and Kitchen and dining furniture – 1.85 Billion USD. This trend is expected to remain unchanged.



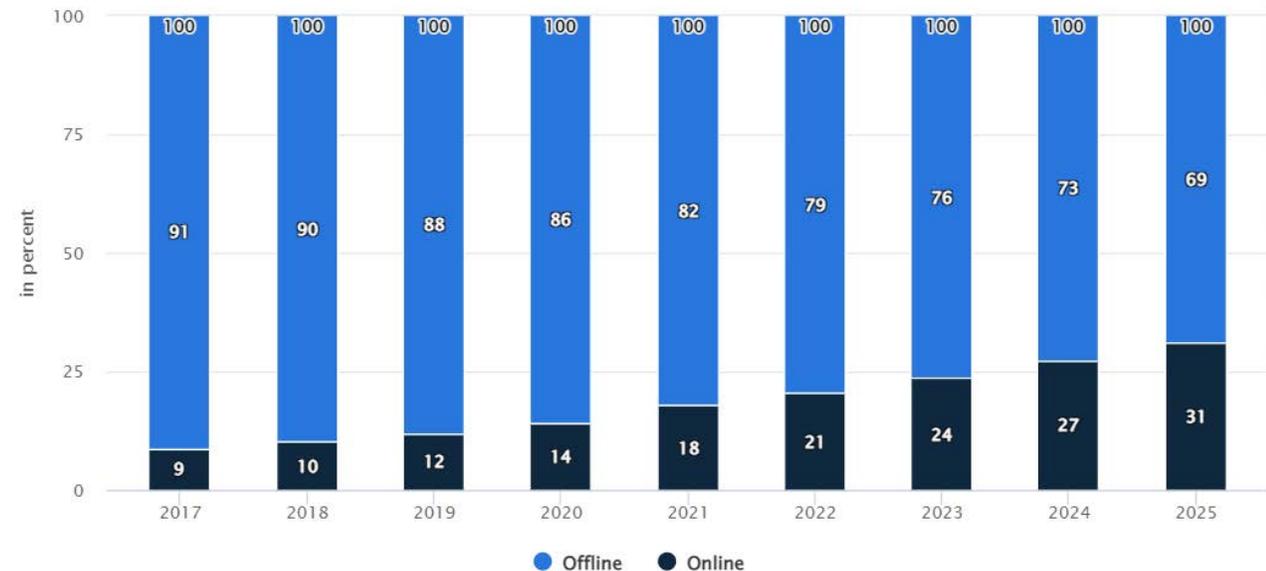
Source: Statista

DOMESTIC MARKET DISTRIBUTION CHANNELS

- Home Centers
- Specialty Stores
- Flagship Stores
- Online & Others

The sales are still highly centered in physical stores with 79% share, but online channels are expected to become a more prominent factor and carve a niche of more than 30% in next few years.

Online/offline split



Source: Statista

MAIN PLAYERS

The Canadian home furniture market is highly fragmented and consists mainly of small or medium-sized family-owned and operated firms. The Canadian furniture industry often finds it difficult to compete with other countries due to Canada's high transportation and labor costs. However, to meet the global competition, the players are building larger production capacity and focusing on achieving economies of scale.

Top performing companies are:

- IKEA Canada
- Palliser
- Durham Furniture
- Artage International
- Bermex
- Kitchencraft
- Bensen
- Future Fine Furniture
- BirchWood Furniture
- HaberSham
- Kavuus

CUSTOMER BEHAVIOR TRENDS

Highlights

Increasing demand for high-end furniture

Canadians value durability and long-lasting pieces as result there is increasing demand for high-end furniture, particularly in the design centers of Toronto and Montreal. Wooden products are majorly preferred for living and dining room furniture in the country.

Smart furniture

The number of single and two person houses has been growing result in in demand for small and portable furniture. Consumers are also looking for furniture that is multipurpose, foldable, and technology driven, especially when it comes to living in smaller spaces.

Digitalization and automatization

Covid-19 and the online-savvy Millennials and GenZ are driving the shift in consumer behavior. Consumers are seeking personalized shopping experiences and competitive prices and are pushing furniture manufacturers to investment in digital solutions and automation.



EGYPT



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POLITICAL AND ECONOMIC OUTLOOK

Highlights

- Egypt's economy will grow fairly steadily over the coming three years, with inflation gradually declining from double digits and the pound weakening in the near-term.
- Economic activity will be adversely affected by the repercussions of the war in Ukraine, as investors pulled billions of dollars out of its treasury market.
- Prices of key global commodity prices - in particular, wheat, fertilizer and oil - are now cooling.
- The country is one of a cluster that have sought fresh support from the International Monetary Fund.

Source – World Bank, IMF



ECONOMIC GROWTH AND DEMAND

Economic growth is expected to reach 6.1% in 2022, up from 3.3% a year earlier. However, base effects and the demand overshoot are expected to start tapering off, and economic activity will be adversely affected by the repercussions of the war in Ukraine. Thus, growth is expected to slow down in 2023 to 4.8% and quicken again to 5% in 2024.

The resumption of international travel and trade, global pent-up demand and favourable base effects allowed for strong rebounds in the export-oriented sectors. On the demand side, consumption and investment improved, but the net exports deficit widened.

GOVERNMENT REFORMS

The Government announced plans to launch a second round of economic reforms aimed at increasing the role of the private sector, addressing long-standing customs and trade policy challenges, modernizing its industrial base, and increasing exports.

The government continues to investment in several mega projects, including the construction of smart cities.

30 % of government investments in the 2022/2023 budget to green investments, by 2030 all new public sector investment spending would be green.

Mitigation package worth LE130 billion to alleviate the impact of the rising prices through hikes to public sector wages and pensions, tax measures and expanding coverage of the cash transfer programs.

INFLATION

- Inflation is forecast to surpass the CBE's inflation target range (7 (+/- 2) %) through the remainder of FY2021/22 due to the impact of the depreciation, imported inflation and possible supply bottlenecks, along with the continuation of upward adjustments to retail fuel prices. While some social mitigation is expected from the recent fiscal package, existing food subsidy and cash transfer programs, as well as the relatively large reserves of wheat and other cereals, poverty may still increase as inflation undermines real incomes.
- Main upward pressure came from prices of food & non-alcoholic beverages (22.4% vs 22.3% in June), by far the most relevant in the CPI basket. Also, a recent hike in fuel costs and rising prices of housing & utilities contributed to the overall inflation.

WAR IN UKRAINE

Egypt is one of the world's top wheat importers and has suffered from rising oil and grains prices. It imported most of its wheat from Russia and Ukraine, two countries that also supplied a large number of tourists.

COMPETITIVE ENVIRONMENT

Revenue in the Furniture segment is projected to reach US\$962.40m in 2022. Furniture production in has been reeling under the lingering unfavourable macroeconomic situation in Egypt, exacerbated by the Covid-19-induced supply chain challenges, and rising prices of raw materials as well as a murky employment picture, with many workers being forced to migrate to other sectors to make a decent living.

In an aim to help the industry regain its footing and bolster its growth, Egypt established Damietta Furniture City (**DFC**) in 2019, with an investment of EGP 4 billion.

Egypt remains the largest manufacturer and exporter of furniture items in the Middle East and North Africa region (**Mena**), with Saudi Arabia and the UAE making up its top importers.

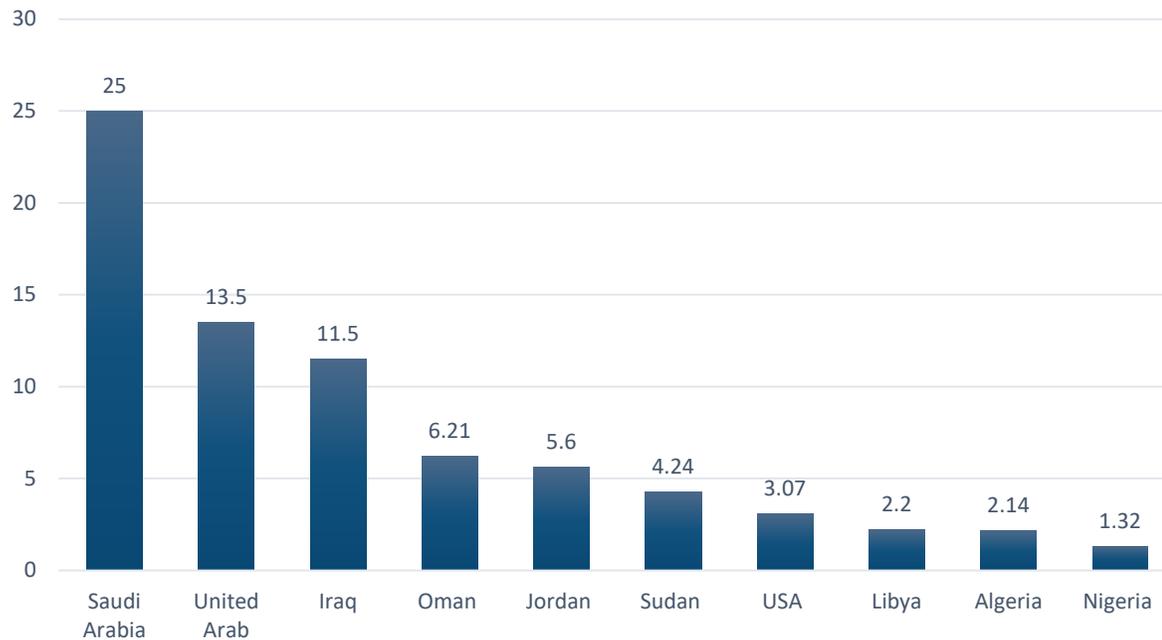
The sector has recently been a target of local tech start-ups, zeroing in on the accelerating customer shift towards online shopping, boosted by the increased adoption of flexible payment options such as buy now pay later (**BNPL**).

Coupled with the growth of e-commerce, the need for solutions that digitise this traditional sector has driven the rise of a new spurt of vertical marketplaces specialising in furniture and home decor.

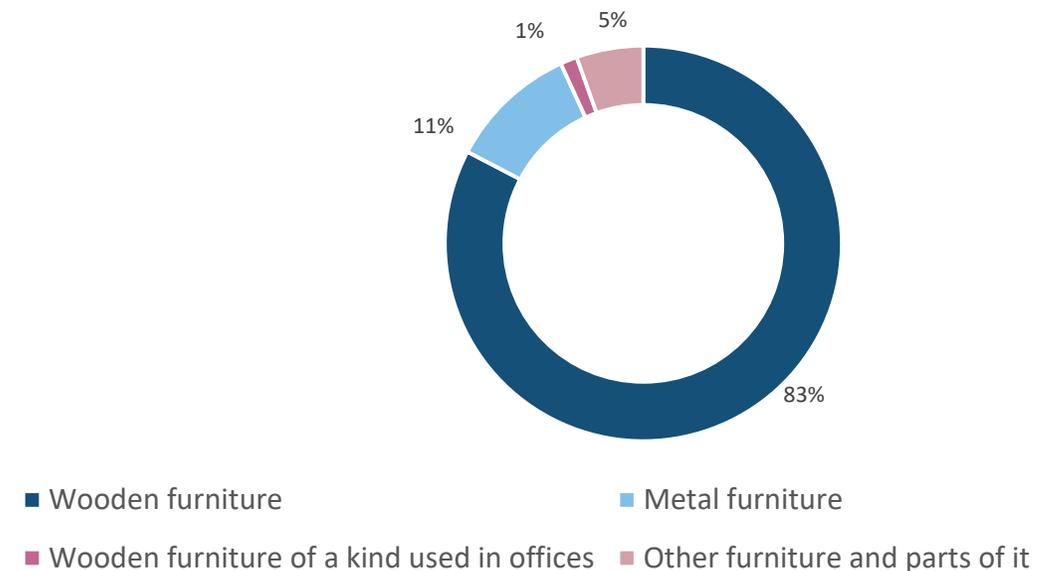
EXPORT

The value of **exports of furniture** from Egypt totalled **\$ 201 million** in 2020. **Sales decreased by 12.8%** in value terms compared to 2019.

Top export destinations in 2020 (in Million USD)



Exports structure in 2020 represented by main commodity groups

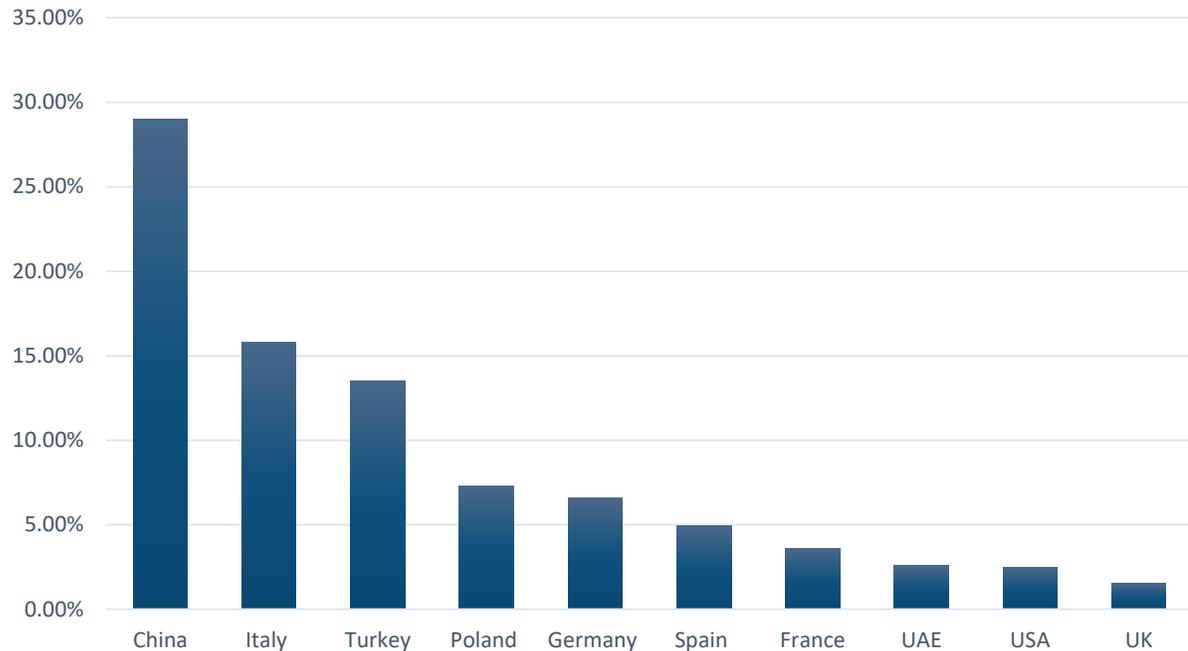


Source: trendeconomy.com

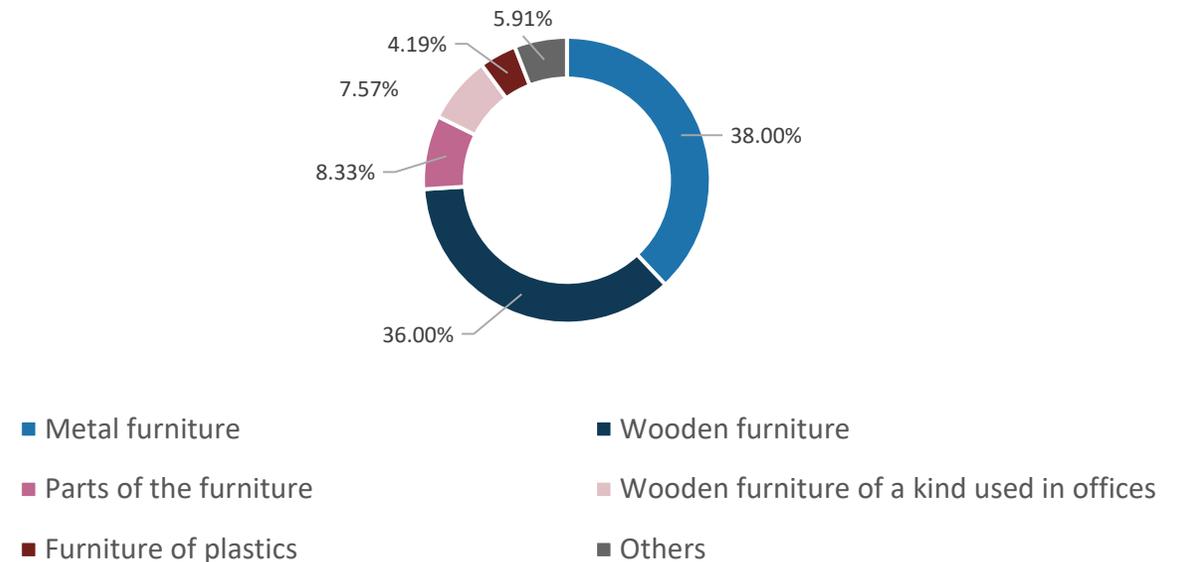
IMPORT

The value of **imports** to Egypt totaled \$ 85 million in 2020. Sales decreased by 25% in value terms compared to 2019

Top importers of furniture in Egypt in 2020

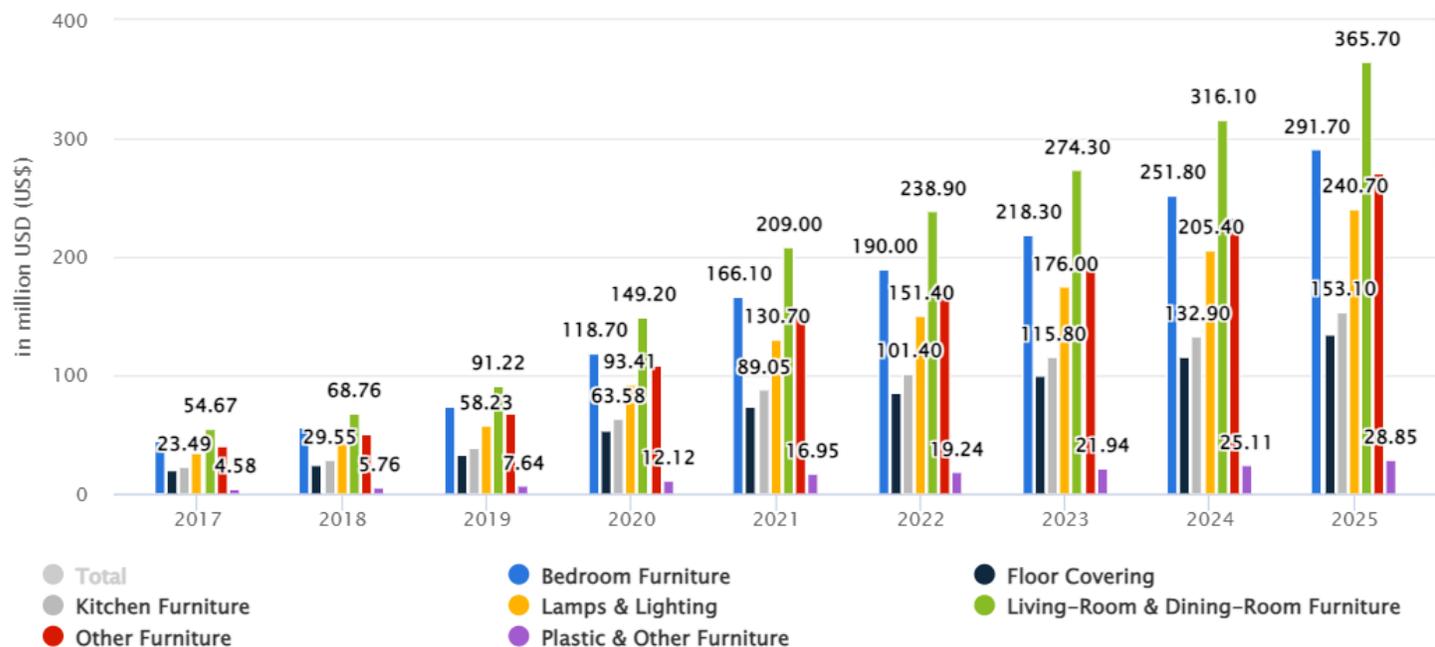


Imports structure in 2020 represented by the following main commodity groups



Source: [trendeconomy.com](https://www.trendeconomy.com)

REVENUE STRUCTURE



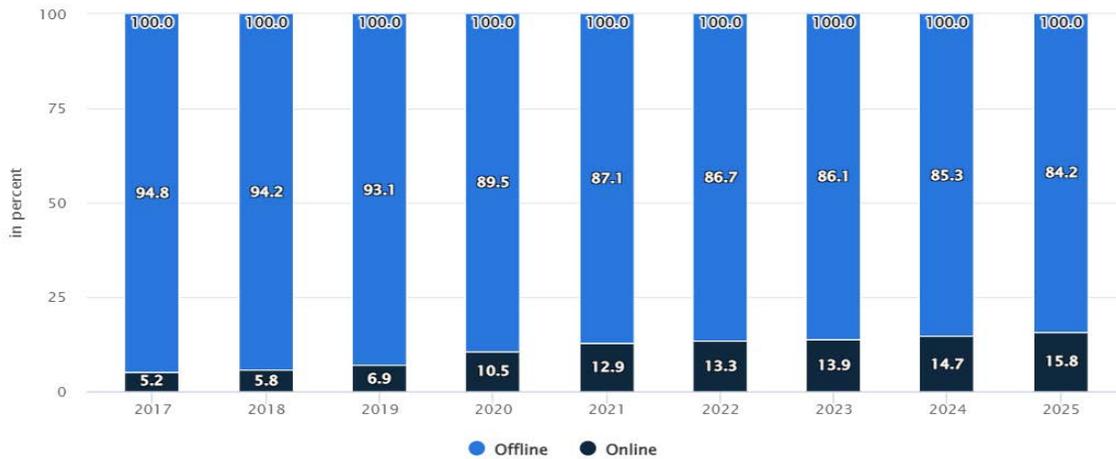
Source: Statista

SALES CHANNELS

SALES CHANNELS TO END CUSTOMER

- Distributor/ Wholesaler
- Sales Agents
- Retail Stores
- E-commerce
- Interior Designer/ Architect

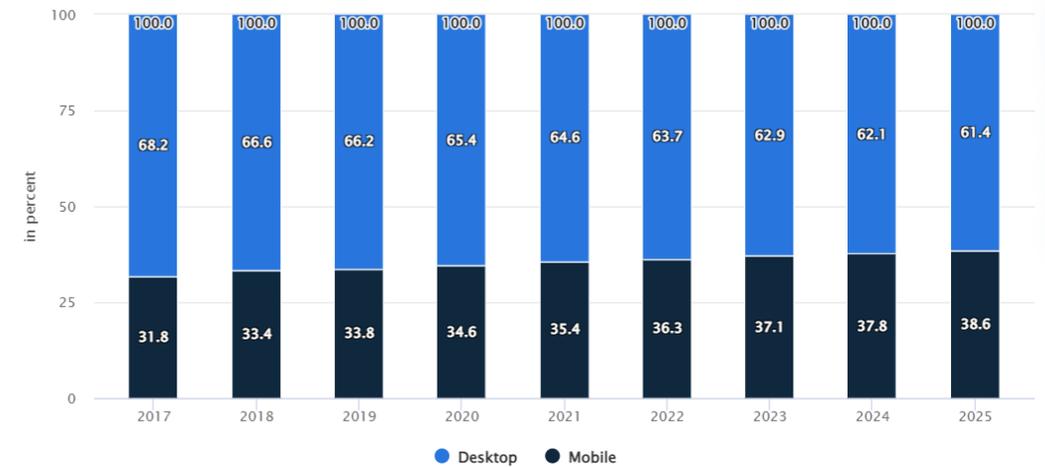
Online/Offline split



Most recent update: Jun 2022

Source: Statista

Mobile/Desktop Split



Most recent update: Jun 2022

Source: Statista



Co-funded by the COSME programme of the European Union

KEY PLAYERS

Top performing companies are:

- Al-Mohandes Furniture
- Archi Touch
- Arthouse
- Coin Furniture
- Dar Al Mobilia
- Meuble For French Furniture
- Notre Art Furniture
- Shoulah Furniture Group
- Rowad Furniture
- IKEA
- Ashley Furniture Industries
- Steinhoff
- Suofeiya Home Collection
- NITORI
- Sleemon
- La-Z-Boy

MARKET DRIVERS

Egypt is working towards boosting its economy with some mega key projects that will keep the demand of wood products & woodworking machinery technologies at the top in the coming years and below are the few ongoing projects in the country:

- New Administrative Capital, Cairo (CAPEX: USD 40 – 70 billion)
- New Coast South Marina (CAPEX: USD 4 – 5 billion)
- 6th of October Oasis Mega Urban Development Project (CAPEX: USD 20 billion)

Egypt's growing population and the increasing income supports the real estate and retail sectors. And the furniture sector compliments both the real estate and retail sectors with the increasing consumption of the wood and furniture items.

With expectations of technological growth, high demand for infrastructure, and rapid urbanization expectations are optimistic about the Egypt long-term prospects.



SOUTH AFRICA



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POLITICAL AND ECONOMIC OUTLOOK

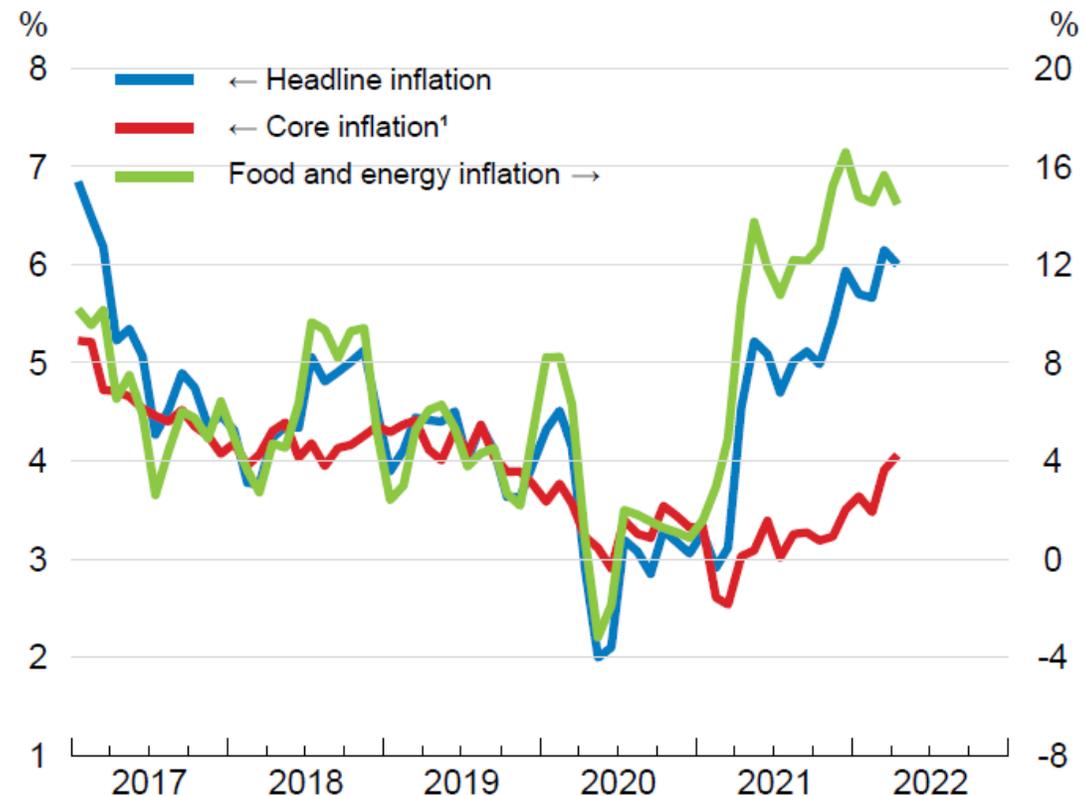
Highlights

After a strong rebound in 2021, GDP is projected to grow by 1.8% and 1.3% in 2022 and 2023 respectively. Household consumption and investment will remain the main drivers of growth. Recovery in the tourism sector continues.

Inflation reached 7.8% in July, and is projected to increase further due to higher energy prices before starting to fall.

Recent flooding in KwaZulu-Natal may lead to further increases in food prices.

Inflation is driven by food and energy prices



*1. Core inflation excludes energy and food products.

Source: OECD Database on Consumer Price Indices; Refinitiv; Statistics South Africa; and OECD calculations.

HIGHLIGHTS

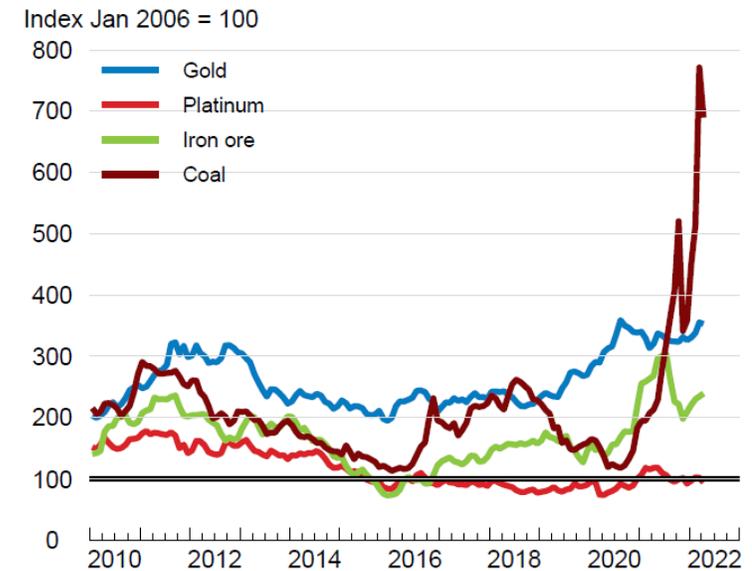
Exports will benefit from rising prices for commodities exported by South Africa.

South Africa has a low direct exposure to Russia and Ukraine, trading less than 1% of its total exports and imports with these countries.

The key policy rate is expected to rise to 5.75% by the end of the year and to 6% by mid-2023 before declining gradually thereafter.

COVID-relief grant covering 10 million beneficiaries is prolonged until March 2023.

Prices of commodities exported by South Africa are rising



Source: OECD

COMPETITIVE ENVIRONMENT

Highlights

- The country's furniture consumption is projected to reach US\$1,452.00m in 2022. Still, in the last ten years, the furniture consumption has been affected by the negative economic context resulting in decreasing demand.
- Imports stands at around USD 346 million, export - at USD 86 million. The Chinese market penetration is strong and increasing. The fast increase of imports is eroding market shares of local players, in particular of small companies.
- South Africa's furniture manufacturing sector includes a number of large, vertically-integrated players, but more than 90% of the companies in the sector are small to medium-sized enterprises.



IMPORT AND EXPORT

- Imports have become more challenging and less attractive as a result of rising prices in some supplier markets, rising shipping and logistics costs and long lead times. In addition, the quality of some of the products imported at the lower end is poor.
- South Africa imports furniture primarily from: China (\$282M in 2020), Malaysia (\$12.2M), Italy (\$10.2M), Vietnam (\$6.47M), and Germany (\$5.54M).
- The main destination of furniture exports from South Africa are: Botswana (\$16.6M), Namibia (\$12.1M), Zambia (\$10.3M), Eswatini (\$7.46M), and Lesotho (\$5.31M).

Source: Masterplan For the South African Furniture Industry, Department of trade, industry and competition in the Republic of SA

REVENUE

Living-Room & Dining-Room Furniture segment has the biggest share in domestic market with 24.5%. Other furniture – 17.5%, Bedroom Furniture – 17.2% and Lamps & Lighting – 16.9%

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Bedroom Furniture	144.5	150.3	159.1	194.3	211.8	249.4	294.6	349.1	414.8
Floor Covering	79.18	82.36	87.19	107.3	117	138.6	164.7	196.3	234.7
Kitchen Furniture	103.1	107.3	113.6	141.5	154.6	179.9	210.1	246.1	289.1
Lamps & Lighting	138.8	144.4	152.8	188.7	205.9	245.3	293.1	351.2	422.1
Living-Room & Dining-Room Furniture	199.5	207.5	219.7	277	303	355.4	418.2	493.6	584.2
Other Furniture	144.4	150.2	159	197.4	215.5	253.8	299.7	355	421.7
Plastic & Other Furniture	17.44	18.14	19.2	23.54	25.67	29.97	35.1	41.22	48.56
Total	826.9	860.1	910.6	1130	1233	1452	1716	2032	2415

DISTRIBUTION CHANNELS

Furniture manufacturers sell their products primarily

- directly to the public
- corporate clients
- architects, interior designers
- government entities
- Independent or chain wholesale and retail operations.

JD Group (part of Pepkor Holdings), Lewis Group and Shoprite Holdings (OK Furniture) are among the largest furniture retailers: collectively have an estimated 45 percent share of the local market.

Bravo sells to the major furniture retailers such and independent retailers and export customers, as well as to hospitality groups such as the Hyatt, Protea, and City Lodge hotel chains.

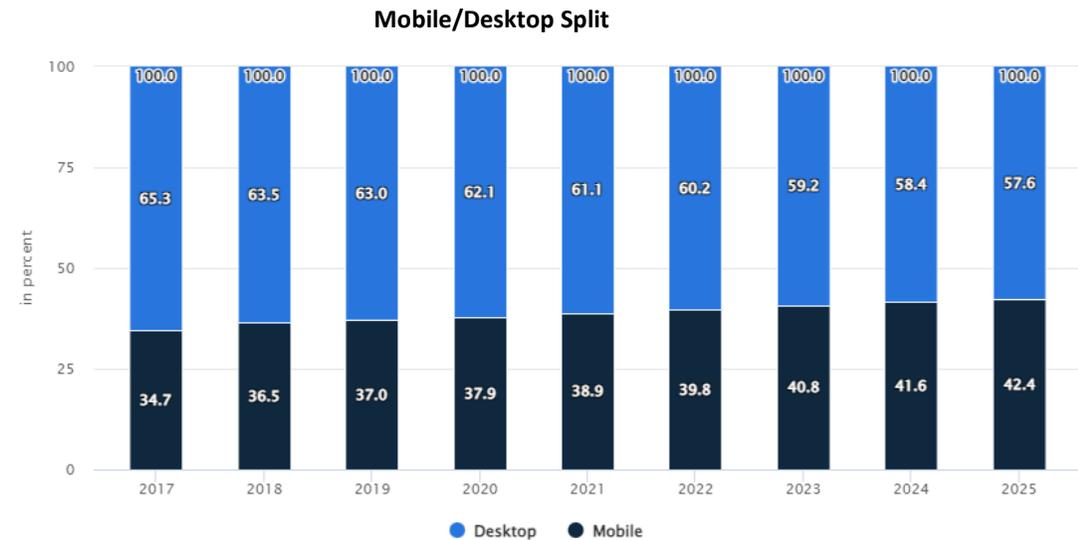
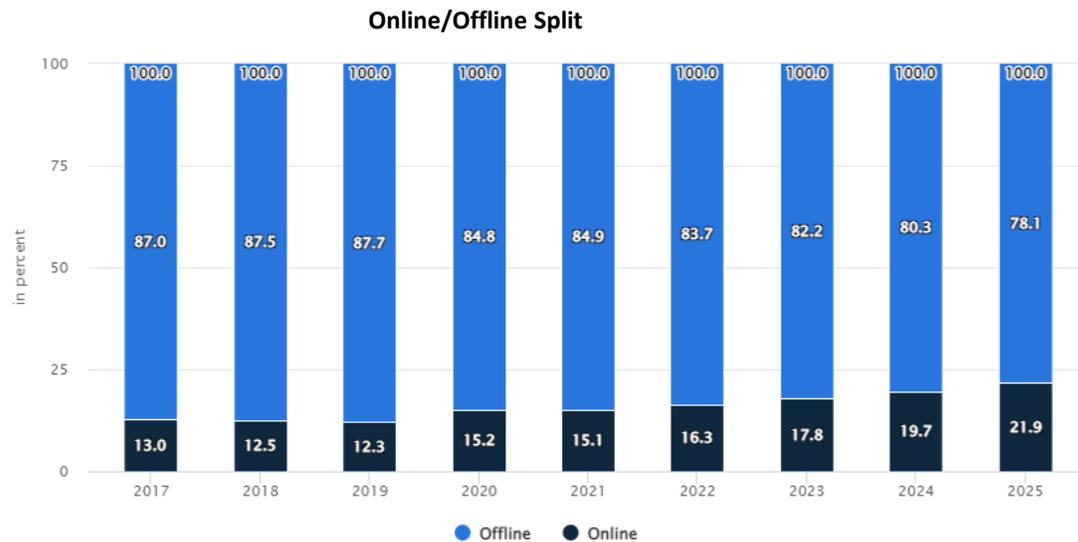
The government issues most tenders for and is the largest buyer of furniture.

The high-end segment, which is a niche market, is satisfied through upper-end interior stores and/or through the architects' channel.

Example of European companies directly operating with showrooms are Bulthaup, Franke, Schmidt Kitchens, Roche Bobois, Ligne Roset, Minotti by Limeline.

E-COMMERCE

Consumers have access to an endless supply of furniture ideas and designs through the internet, and they also have access to online suppliers, including direct purchase from international markets. This allows consumers to become more powerful and discerning as they look for a greater range of products. This has driven a shorter supply cycle which requires shorter lead times especially in the premium market.



Source: Statista

MAJOR PLAYERS

Major manufacturers of furniture include Bidvest Branded Products Holdings, Bravo, Fair Discounters and KAP.

Bravo, Africa's largest furniture manufacturer, has seven manufacturing plants in Johannesburg, Cape Town and Durban that employ about 3,400 people. Its Bravo Lounge division produces 45,000 pieces of furniture per month.

According to KAP's latest annual report, it produces more than 700,000 bedding units annually, making it the second-largest manufacturer of branded mattresses in southern Africa, after Bravo. The company manufactures mattresses in Johannesburg, Cape Town, Durban and Port Elizabeth, with 90% of the components used in the production of its beds manufactured internally.

Source: Masterplan For the South African Furniture Industry, Department of trade, industry and competition in the Republic of SA

TOP FURNITURE MANUFACTURERS IN SOUTH AFRICA

- Angel Shack Trading and Investments (Pty) Ltd
- Barker Street Office Furniture (Pty) Ltd
- Bidvest Branded Products Holdings (Pty) Ltd
- Bravo Group Manufacturing (Pty) Ltd
- Brothers Beds and Bedding CC
- Buraaq Beds CC
- City Office (Pty) Ltd
- Fair Discounters (Pty) Ltd
- Fechters Furniture Manufacturers (Pty) Ltd
- Geo Cloud (Pty) Ltd
- KAP Industrial Holdings Ltd
- Kiran Sales (Pty) Ltd
- OfficeScene (Pty) Ltd
- Pilot Furniture Manufacturers (Pty) Ltd
- Quality Bedding (Pty) Ltd
- Simmons SA (Pty) Ltd
- Strandfoam Group (Pty) Ltd
- Sweet Sensation 210 (Pty) Ltd
- SwissMate Manufacturing CC
- Tapestry Home Brands (Pty) Ltd
- Truform Bedding (Pty) Ltd
- Ukhuni Business Furniture (Pty) Ltd
- Upholster All (Pty) Ltd

CONSUMER BEHAVIOR TRENDS

Home furnishings continues to experience positive growth in 2021

Home furnishings continued to experience positive current value growth in 2021 as most local consumers felt compelled to spend time at home with the virus still in circulation, perceiving the home as their place of comfort and safety. Many South Africans continued to spend greater time at home, which has created a desire for an attractive and relaxing living environment (driving up sales of bed textiles), whilst also needing to accommodate remote working needs (home office furniture), or a move to a larger space altogether.

The “biophilia” trend gains in popularity

The “biophilia” trend has grown in popularity in South Africa and has consequently influenced consumers’ choice of home furnishings, among other home and garden products, during the pandemic. This trend encourages consumers to incorporate natural elements into their homes to create a more relaxing environment.

Affordability continues to drive growth

South Africa remains a price-sensitive market and the financial impact of the pandemic on the local economy has worsened many consumers’ purchasing power. Therefore, affordable options, particularly for larger ticket items such as indoor furniture, have continued to benefit.

Further growth to be supported by focus on the home

Further growth will continue to be influenced by home seclusion and lingering concerns about exposure to the virus. However, many South Africans are slowly returning to their physical work spaces, although most companies are still using hybrid models, which allow consumers to work from home for part of the week.

OBJECTIVES OF THE JOINT REPRESENTATION OFFICE IN TARGET COUNTRIES

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FUNCTIONS AND SERVICES THE JOINT REPRESENTATION OFFICE

Regardless of the preferred form of representation in the target third countries, project partners consider that a JRO should provide:

- Promotion and provision of info about the consortium, cluster and members
- Showcasing cluster/members products/services
- Help with local compliance and regulation matters
- Local market potential research

All of the mentioned services are perceived as equally important with showcasing cluster/members products/services ranking first.

ADDITIONAL SERVICES

As **additional services** the JRO could provide, the project partners suggest:

- Support at establishing first contacts with targeted companies on third markets.
- Create networks with key stakeholders such as government, universities and other organizations that are relevant in the country.
- Joint participation at trade fairs and other b2b events, webinars.
- Joint promotion and marketing.
- Develop common branding - EUROPEAN FURNITURE CLUSTER.

HOW TO EVALUATE THE WORK OF A JOINT REPRESENTATION OFFICE

Main KPI's of a successful JRO could be:

- Number of Companies benefited by the office's activities
- Number of business deals through the office
- Matchmaking events or other events organized in the office
- Visits to the website, recipients of NL, SM followers
- Total amount of business effectively generated by the office for companies

HUMAN RESOURCES

ANALYSIS OF PROSPECTS REGARDING
MANAGING THE REPRESENTATION



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GENERAL SETTING

It was mentioned before that Transylvanian Furniture Cluster and Bulgarian Furniture Cluster are inclined in managing a JRO in USA.

Based on the study all the partners took part of, the most probable way of creating the JRO would have a hybrid form – office/showroom + virtual platform.

This would require renting a physical location, hiring at least one person to manage it and have a technical support for the virtual platform.

USA HUMAN RESOURCES PROSPECTS

Chicago

Demographics

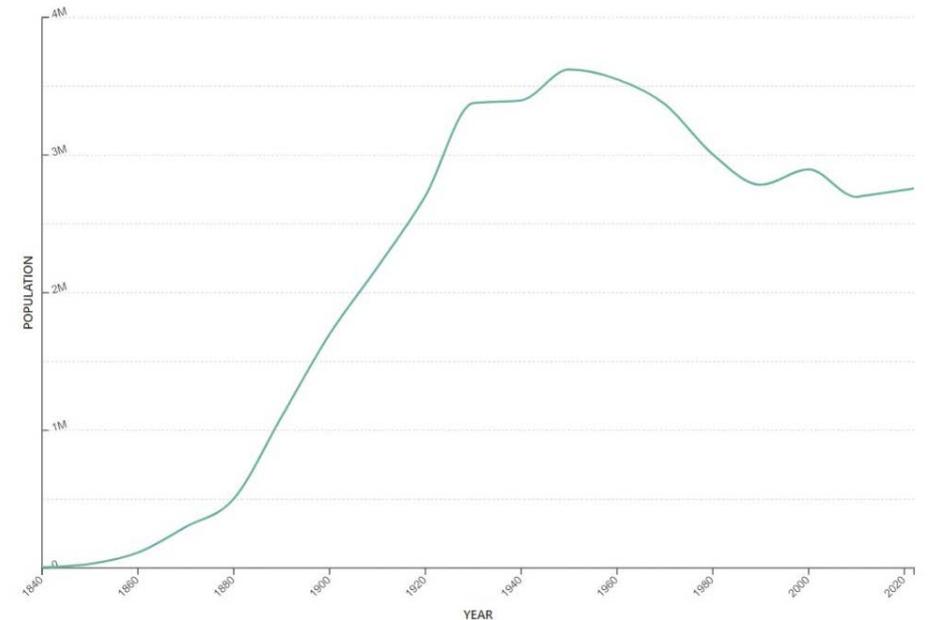
- Today, Chicago the city makes up only just over a quarter of the wider Chicago-Joliet-Naperville **Metropolitan Area's** population. According to data from 2016, this number is estimated to be around **9,554,598**. Like the city of Chicago, the CJN Metro Area is also the third largest in the US, behind New York-Northern New Jersey-Long Island (20.18 million) and the Los Angeles-Long Beach-Santa Ana (13.34 million) metro areas.

Salary & wages

- The minimum wage on July 1, 2022 for non-tipped workers rose from \$15 to \$15.40 for. The average wage is \$23/per hour. That would make about **\$47 000 per year**.

Chicago, Illinois Population 2022

2,756,546



Source: worldpopulationreview.com

USA HUMAN RESOURCES PROSPECTS

New York

Demographics

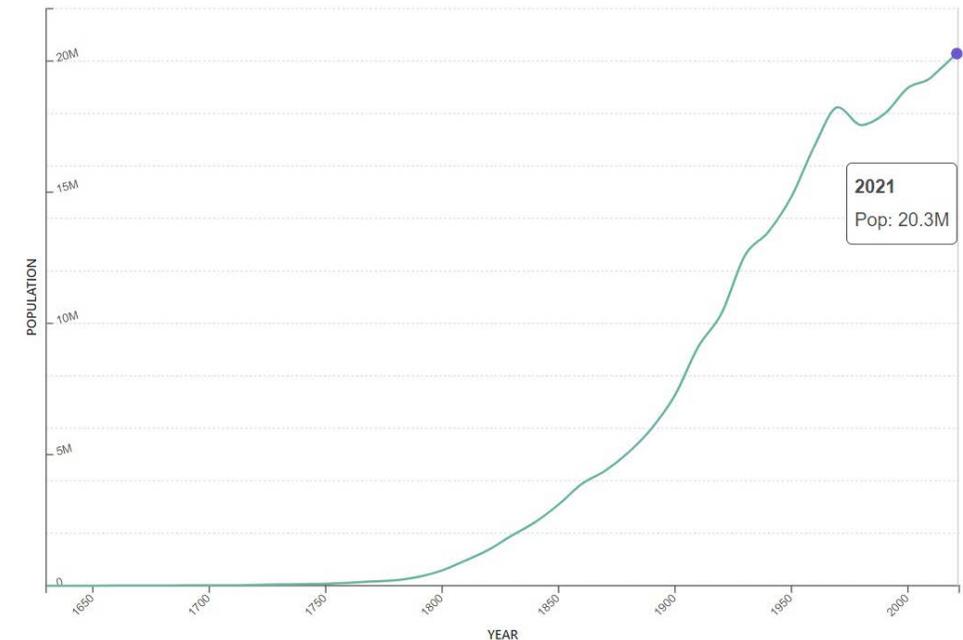
- New York State is the fourth largest state in the United States of America based on our latest projections. New York City's population at **8,398,748**, as of July 1, 2018. In 2020, the median age of all people in New York, NY was 36.9 years.

Salary & wages

- In 2021, the average annual pay of employees in New York totaled to 88,030 U.S. dollars. The median rental costs in recent years comes to \$3,988 per month. Minimum wage is \$15/hour. The Average - \$24/hour. That would go as far as **ca \$50 000 /year**

New York Population 2022

20,365,879



Source: worldpopulationreview.com

CANADA HUMAN RESOURCES PROSPECTS

Toronto

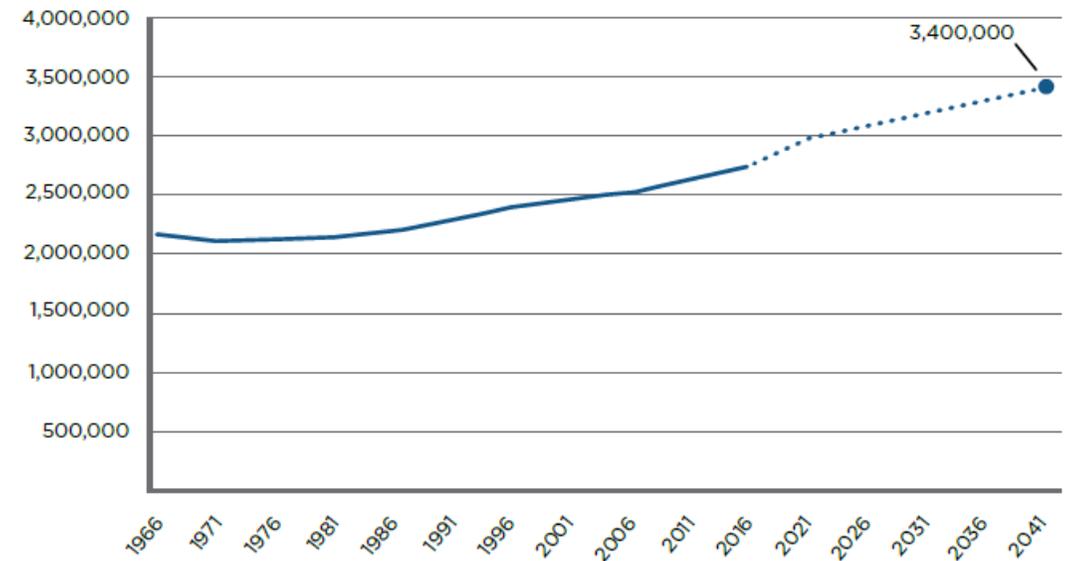
Demographics

- The 2021 population of Toronto is **2,794,356**, or 7.6% of Canada's total population of 36,991,981. The 2021 population of the Greater Toronto and Hamilton Area (GTHA) is 7,281,694, or 19.7% of Canada's population. The city of Toronto accounts for 38.4% of the GTHA's population.

Salary & Wages

- The Average Salary for a full-time worker in Canada is **\$42,000** per year. And it's growing. For Toronto, Ontario – the province with the highest average salaries, this number goes to **\$55,000**.

Population of Toronto



Source – Census Canada and Ontario Population Projects Update, 2017-2041

SOUTH AFRICA HUMAN RESOURCES PROSPECTS

Cape Town

Demographics

- From 2002 to 2019, the average annual population growth of South Africa as a whole was 1.41%. From 2009 to 2016, the country's population grew at an average annual rate of 1.53%. Population is expected to continue to rise steadily. Official data shows **61M** in 2022. The population in Cape Town in 2002 was **3,051,901**.

Salary & wages

- The Department of Employment and Labour most recently updated South Africa's minimum wage on 1 March 2022, with the amount set at ZAR23.19 = **\$1.42** for each ordinary hour worked, representing an increase of 6.9% from the minimum wage set in 2021. On an yearly basis that would go as far as **\$3,550**.
- A person working in Cape Town typically earns around **36,200 ZAR per month**. Salaries range from 9,170 ZAR (lowest average) to 162,000 ZAR (highest average, actual maximum salary is higher). On yearly basis that would go as far as **\$25000**.

EGYPT HUMAN RESOURCES PROSPECTS

Cairo

Demographics

- Cairo is the largest city in Egypt and the country's capital. The city has an estimated 2016 population as high as **12 million**, with a metropolitan population of **20.5 million**, which makes it the largest city in Africa and the Middle East, and the 17th largest metro area in the world.

Salary & wages

- As of February 2022, Egypt's legal monthly minimum wage is \$171 per month. The average salary in Egypt is roughly **\$586** per month. Cairo standing on the first place with highest average monthly salary of \$623, almost **\$7,500 per year**.

FINANCIAL ANALYSIS



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GENERAL SETTING

Based on the study all the partners took part of, the most probable way of creating the JRO would have a hybrid form – office/showroom + virtual platform.

Creating a joint representation office in a hybrid form would require renting a physical location, apart from hiring at least one person to manage it and have a technical support for the virtual platform.

Considering the responses in the study and that only TFC and BFC have showed initiative to manage the JRO, we have calculated a virtual management by a Bulgarian IT company. This is the reason why the cost is the same for every one of the targeted markets.

Investment costs needed to establish the JRO could include:

- Legal and other consulting services
- Design and renovation of showroom
- Equipment
- Virtual platform

Cost may vary between target countries but we estimate a minimum of USD 35 000.

USA

Chicago Rent of an office space:

- The office space market in Chicago, as of July 2022, is evolving and recovering. The office vacancy rate in the U.S. is 15.4%, and Chicago has fallen considerably lower than that. The cost for a core space is about **\$5,949** per year. Whereas, the average price per person for flexible office space is \$283, adding up to a more affordable **\$3,397** per year. The cost to rent a large commercial space in Chicago is around \$6 per square foot per month. The average price for a rental of 1,000 square feet in Chicago is **\$50,400** per year.

New York Rent of an office space:

- Based on publicly available commercial real estate leasing data, the average asking rent for New York office space is around \$800 per m2. Whereas, the average price per person for a desk at a co-working office space is \$350/month, adding up to a more affordable \$4,200 per year. Traditional office space is generally on the more expensive end of that range — on average, you can expect to pay approximately \$60 per square foot per year in Manhattan, New York. The average price for a rental of 1,000 square feet in New York is **\$60 000** per year.

What costs to expect for a JRO in USA:

Operational Costs per Year USA Chicago	Costs
Wages and social insurance costs	\$58,750.00
Rent	\$50,400.00
Utilities, phones and internet	\$3,500.00
Stationery	\$600.00
Virtual platform maintenance	\$3,000.00
Accounting and law	\$4,800.00
Insurance	\$1,800.00
Travel	\$6,000.00
Total Costs	\$128,850.00

Operational Costs per Year USA New York	Costs
Wages and social insurance costs	\$62,500.00
Rent	\$60,000.00
Utilities, phones and internet	\$4,200.00
Stationery	\$600.00
Virtual platform maintenance	\$3,000.00
Accounting and law	\$4,800.00
Insurance	\$1,800.00
Travel	\$6,000.00
Total Costs	\$142,900.00

CANADA

Toronto

Rates for Office Space:

- Rent for a Toronto office rental usually varies between \$80/m² and \$270/m² per month, but can range up to \$700/m² per month or more in particularly expensive parts of the city. A typical medium-sized shared office space usually starts at \$700 per month and goes up from there. When it comes to hiring a hot desk at WeWork (co-working), you need to pay \$450/month. The average price for a rental of 100 square meter in Toronto is \$72,000 per year.

What costs to expect for a JRO in Canada:

Operational Costs per Year CANADA Toronto	Costs
Wages and social insurance costs	\$68,750,00
Rent	\$72,000,00
Utilities, phones and internet	\$6,600,00
Stationery	\$600,00
Virtual platform maintenance	\$3 000,00
Accounting and law	\$4 200,00
Insurance	\$1 320,00
Travel	\$5 000,00
Total Costs	\$161,470,00

SOUTH AFRICA

Monthly Rates for Office Space

- A monthly budget starting at R 6000 = \$380 could allow the rent of an office in the city center. The average price for a rental of 100 square meter in Cape Town is \$4,800 per year.

What costs to expect for a JRO in South Africa:

Operational Costs per Year SOUTH AFRICA	Costs
Wages and social insurance costs	\$30,750.00
Rent	\$4,800.00
Utilities, phones and internet	\$1440.00
Stationery	\$480.00
Virtual platform maintenance	\$3 000,00
Accounting and law	\$540,00
Insurance	\$480,00
Travel	\$5 000,00
Total Costs	\$46,790.00

EGYPT

Monthly Rates for Office Space

- Office for rent ~75 m²: from \$1 600 per month.

What costs to expect for a JRO in Egypt:

Operational Costs per Year EGYPT Cairo	Costs
Wages and social insurance costs	\$9,300.00
Rent	\$19,200.00
Utilities, phones and internet	\$2,350.00
Stationery	\$480.00
Virtual platform maintenance	\$3,000.00
Accounting and law	\$960.00
Insurance	\$540.00
Travel	\$6,000.00
Total Costs	\$41,830.00

NEXT STEPS

- Choose one market to test the model and then multiply it to another countries.
- Research possible public sources for funding the JRO. EU and /or national funding is perceived as necessary in the initial phase of establishing a JRO.
- Explore possible commitments through the budgeting in next year/s, distinct from the project's resources.
- In order to guarantee stability of a JRO it's reasonable to find a source to accumulate incomes from companies – through membership fees and taxes for services provided. Real interest of our companies to use and pay for a representation office should be further evaluated.
- Create a sustainable and flexible solution where we do not lock ourselves into too much fixed costs linked to a specific country.
- Explore EU-tech Chamber as an example of how to work with a virtual centre. They have also physical centres but that is more for SME to rent office area.
- Explore the opportunity to set up an office in London, UK.



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