

# The Status and Development of Eco-businesses in Romania

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*Abstract:* - The eco-businesses are poorly represented in Romania, in comparison with the average of EU. The increase of weight of eco-industries is among the development objectives in medium and long run. Romania has to implement a plan of 28 actions for promotion of eco-technologies and increase their competitiveness. Economic changes had main impact on ecological protection and on the general public as an entire. Almost all eco-food Romanian products are for export because inside the country it is only a small niche of consumers.

The customers are that who used to consume this type of products on European markets, others see it as a trend and a third category is occasional consumers who introduce in their diet about 5-10 percent organic products. There continue to exist obstacles in the manner of the expansion of this market such as the still low-scale production, a reduced range of products, higher prices (up to 150 % more) than for standard products, low level of consumer information and low promotion level. In spite of all these aspects it is a great potential in the medium and long term.

An exploratory research was carried out in order to evaluate the state of Romanian ecological producers. The survey had 18 questions but here will be presented only some of the results. The aim of this exploratory research is to offer information for the set-up of a new eco-business. The Romanian eco-businesses understood the necessity of development and implementation of the latest patterns in order to assure a sustainable development of the business. The entrepreneurs are conscious about the poor state of it in comparison with other European companies.

*Key-Words:* - eco-business, eco-market, eco-product, exploratory research, sustainability, survey

## 1 Introduction

The eco-businesses are poorly represented in Romania, in comparison with the average of EU. In addition, does not exist in the National Statistical Accounts a monitor dedicated to eco-business. The labour employed in eco-firms was 0,9% in 2005, less than 0,44% of total employment. It is 1,75% the value for EU. The increase of persons employed in eco-businesses became a priority in EU as well as in Romania.

The increase of weight of eco-industries is among the development objectives in medium and long run. Romania has to implement a plan of 28 actions for promotion of eco-technologies and increase their competitiveness. To raise the access for funds obtaining of the companies with innovation capacity in eco-

products, eco-materials is listed also as a priority.

Among the measures for increasing the eco-businesses in Romanian economy are:

- studies for establishing the nowadays state of Romanian eco-businesses;
- the implementation of a special program to observe and quantify these sectors;
- particular agenda to impel the eco-activities through national research and development projects;
- training the trainers and supporting the consultancy agency for eco-businesses;
- to increase the absorption capacity for funds in the eco-industries. (Ciupagea et. All, 2007)

Until 2005, Romania was the only country which was not connected to the European Business Awards for

Environment. One of the recognition signs of Romanian efforts in eco-business and sustainable development was that the country was included in this European Competition

## **2 Eco-market in Romania**

It is necessary to revise the main concerns and openings for a more innovation design of eco-products. Many products are designed for international mass markets. The producers have to ensure that the most appropriate and efficient products are available to their markets. Among the main patterns were proposed the priorities addressed to energy, waste and other eco-design aspects of products, taking into account whole-life environmental impacts. (Baker, 2005)

Another aspect is related with the concept of sustainable consumption and consumers' attitude. According with Barrett, there are four main concerns to achieve sustainable consumption. These are the eco-home development, behavioral change mechanisms, community development and sustainable procurement. (Barrett, 2005)

By rising new businesses that have as center of attention sustainable product service systems, the organizations are capable to better serve their consumers, to hold on to clients, to decrease costs and to increase margins. The sustainable gains are a result of lower costs. (Nijs, 2005)

The measurement of the environmental influences on national consumption characteristics are frequently based on life cycle. This approach permits attributing both direct effects from consumption phase, and indirect effects from production and disposal stages to the consumer. These appraisals are irregular evaluations for two reasons. (Friot et al, 2005)

The political changes of latest years had encouraging effects on the condition of Romanian environment. One of the constructive results was that environmental protection became institutionalized with the establishment of the Ministry of Environmental Protection and other environmental institutions. Other benefits occurred from the novel potential for international cooperation, the information exchange and experience connected with such openings.

Economic changes had main impact on ecological protection and on the general public as an entire. Worldwide buys and sales were also registered as having a constructive outcome of creating modern, additional environmentally friendly technologies which are accessible nowadays. (Ucenic, 2007)

### **2.1. Eco-bulbs market**

One of the main eco-products sold in Romania is the

eco-bulb. A study presented in April 2008 that 70% of Romanian has at least one at home and 90% intend to buy one. The estimations of sales department from Philips Romania, illustrated a growth with 30% in comparison with 2007 and 2007 had double volume of sales than 2006 (35.000 euro). For the moment, the main market is represented by institutions and firms which decide according with exploitation costs and not according with first investment costs. A classical bulb costs 0,17 euro and an eco-bulb about 5 euro. (green-report)

### **2.2. Eco-Paper Market**

Another example is of Xerox Romania. It brings in Romanian market recycled paper and encourages the companies to implement Eco principles in their businesses, saving resources and protecting the environment. Some of recycled Xerox varieties of paper have good quality and can be used also for official documents not only for internal use. The degree of white at this type (using 80% recycled raw materials) is the same as in normal paper.

Many Romanian organizations have green policies regarding the usage of paper, but hesitate when have to implement them and argue with the ratio cost/ quality. The difference in cost between the normal and recycled paper is 11%. The manager of Xerox declared that they expect to triple the volume of sales for recycled paper in comparison with 2007.

### **2.3 Eco-Food market**

The presence of Romanian eco-food producers was a great success at the fair for eco- aliments Biofach from Nurenberg. The biggest demand was for cereals, soia, sun-flower, honey, fruits and natural juices. The value of contracts was more than 8 million euro. (FNAE). The participants came from 78 countries and the visitors were from 120 countries.

Almost all eco-food Romanian products are for export because inside the country it is only a small niche of consumers. One of the explanations is the lack of information and eco-culture of Romanian consumer. Eco Market Transilvania is a company which exports eco-agri products (eco-wheat in Western Europe).

According with their declaration, in 2004 when started to sell abroad, were obliged to have prices lower with 10-20% from market price because of the lack of brand and image. Nowadays they have same prices with sellers from Western Europe. The logistics remained the only weak aspect. (Food and Health Magazine, nr. 13)

The Romanian eco-agriculture went one step backward when it was excluded from the National Program for Rural Development. It is strongly required the financial support because the capital accumulation is

very slow. The Western European eco-agriculture was powerfully supported because its social value, a specific dynamic, the protecting of biodiversity.

Romanian exports of eco products reached EUR 80 million last year, having soared by 60 % compared to the previous year when their overall value was EUR 50 million, as estimated by the Ministry of Agriculture.

Producers of ecological products in Romania can choose to mark their products with the national logo "ae" (standing for "ecological agriculture"), currently used by 64 producers. However, from January 1, 2009, producers will be compelled to use the communitarian logo for ecological products. Given that the EU logo resembles the logo of a private local company, they may obtain a respite until 2010. (Business Review, June 2008)

### 2.4 E eco-market

The first virtual Eco-shop

The first virtual eco-shop was launched on May 2008. It sells ecological and organic products, especially cosmetics. The shop came as an answer for an uncovered niche from the market. The investment was 120.000 euro and it is planed to cover all amount in one year. Using ecological and organic cosmetics, the number of used products will decrease, saving money for the consumer.

### 2.5 Eco-food stores

There are only three eco-food shops in Bucharest, one in Timisoara and one in Sibiu. (Business-review, June, 2008). The customers are that who used to consume this type of products on European markets, some of whom are from cities other than Bucharest. Others see it as a trend. A third category is occasional consumers who introduce in their diet about 5-10 percent organic products."

These are people with incomes above the average, given that they have to take out of their pocket between 30 and 100 % much money than they would pay for a conventional product. "When they become available in Romania, eco meat products will probably be 200-300 % more expensive than standard ones." (Pukka Food Store)

There continue to exist obstacles in the manner of the expansion of this market such as the still low-scale production, a reduced range of products, higher prices (up to 150 % more) than for standard products, low level of consumer information and low promotion level. In spite of all these aspects it is a great potential in the medium and long term.

## 3 Method and results

An exploratory research was carried out in order to evaluate the state of Romanian ecological producers. The survey had 18 questions but here will be presented

only some of the results. The aim of this exploratory research is to offer information for the set-up of a new eco-business.

The study targets to present the results of an exploratory pilot research for pre-testing a protocol of a structural interview, implemented in eleven ecological Romanian organizations in 2007.

The data related to these firms were found on the website of Agricultural Ministry. The protocol contains eighteen questions regarding the activity of ecological firms as well as problems which appear at the start-up of an entrepreneurial business.

The findings of this survey are presented bellow.

**Question 1:** Did you have previous professional experience in business?

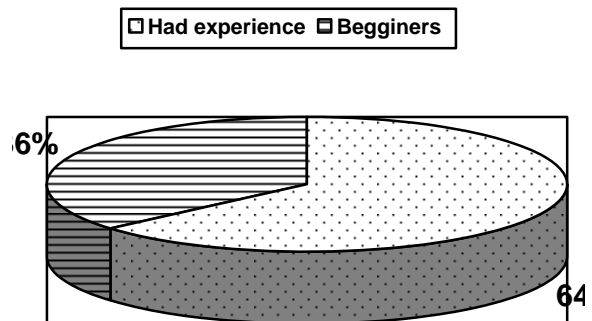


Figure 1: Previous experience in business

Seven companies had previous professional experience in business. Four started for first time.

**Question 2:** Which was your state before the start-up of your new company (unemployed, employee in state business, etc)?

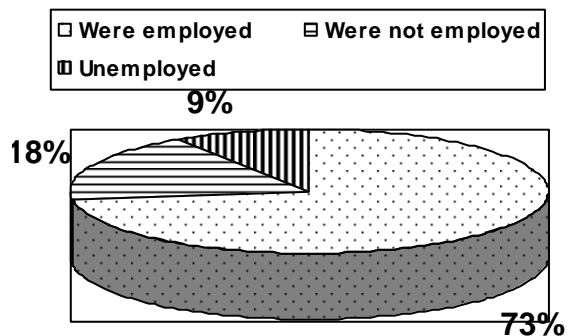


Figure 2: Employment type before the set-up of eco-business

It can be seen that 72,72% of the persons worked before the start-up of an entrepreneurial business, 18,18% of them did not work and 9,1% were unemployed.

**Question 3:** Did you use consultancy services before the start-up of your activity?

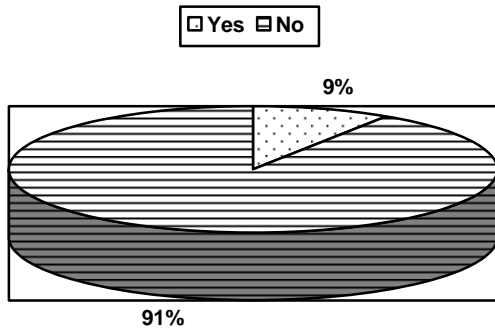


Figure 3: The usage of consultancy

Just one company used consultancy services before the start-up of your activity. The rest of ten, started without consultancy from different reasons.

**Question 4:** Do you consider that your business has success?

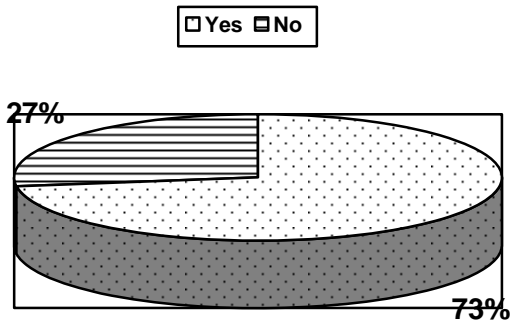


Figure 4: Opinion about business success

Eight companies considered themselves successful and three were not satisfied about their activity.

**Question 5:** Which was the consultancy agency?  
The only consultancy agency was SC. SOMPAN SA.

**Question 6:** Are you in affiliated to an eco association?

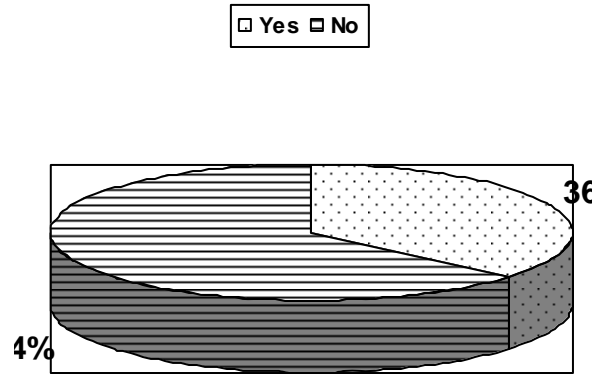


Figure 5: The affiliation at eco-associations.

Only four companies belong to an eco union, while seven do not belong.

**Question 7:** Which are the eco – associations where you are included?

The eco-associations that were mentioned are BIOTERRA and M.A.P.D.R.

**Question 8:** Did you have difficulties at the start-up of your company?

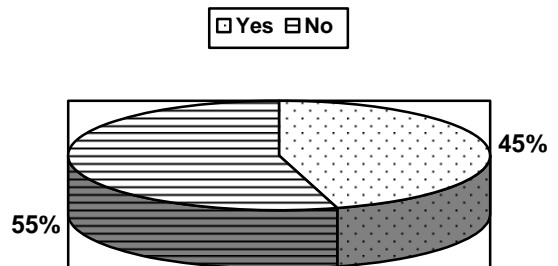


Figure 6: The presence of difficulties in the set-up of an eco-business

Five companies faced difficulties at their start-up but six did not complain about them.

**Question 9:** How did you over-pass these difficulties?

The over-pass of difficulties was described as:

- quite difficult;
- they still exist – for example the excise of ecological coffee;
- with hard work and “running” a lot;
- with patience and professionalism.

**Question 10:** Are sufficiently sustained the eco-businesses in Romania, according with your opinion?

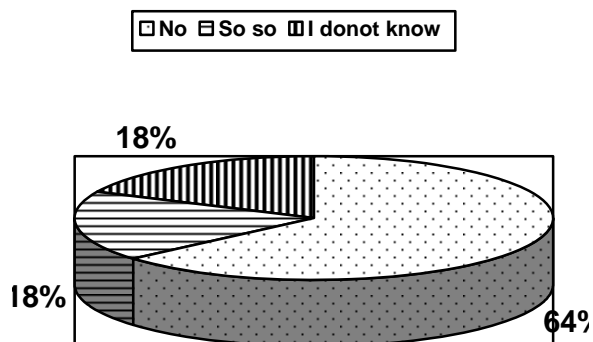


Figure 7: Sufficiency of support for eco-businesses

Seven companies strongly believe that the eco-business are not sustained in Romania. Two of them considered that exists some support for eco-business and the other two do not know.

The support as well as the lack of support of eco-businesses is prevented from the existence of a strong competition. It can be done better when it is supported.

**Question 11:** Which are your financial sources?

- Own resources + loans
- Only own resources
- Own resources + partner support
- Own funds + unreimbursable funds
- Loans + unreimbursable funds

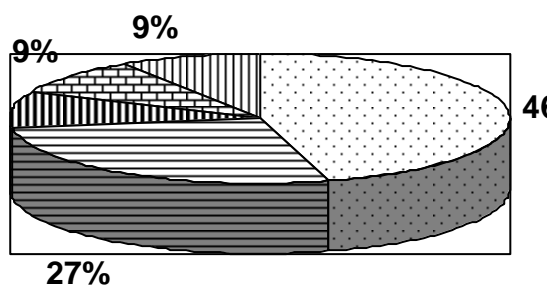


Figure 8: The provenience of funding sources

Five companies used own resources and loans for the start-up of their eco-business. Three organizations had only their own resources. The support obtained from its partner and its own funds was the resource of one company. Another one had own funds and unreimbursable funds. The last organization financed its activities loans and un-reimbursable funds.

**Question 12:** What kind of eco-business do you have?

The types of the interviewed eco-businesses are listed below:

- a dairy plant: eco-products as well as traditional products;
- commerce;
- acquisition and commerce with Bio forest fruits and Bio honey;
- import and export;
- production and sale of eco-bread;
- obtaining, processing, bottler and commerce with eco-honey and other eco-apicultural products;
- importer and distributor of Sonnentor products;
- acquisition of medicinal plants and other herbs from spontaneous flora;
- export with medicinal plants from spontaneous flora.

**Question 13:** Which is the juridical form of your company?

- NGO
- SME

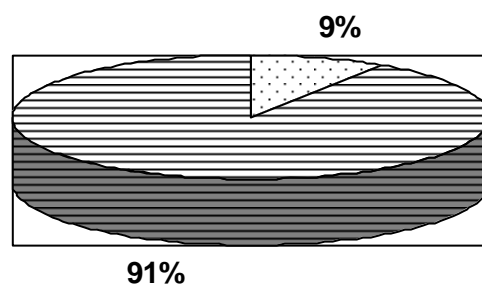


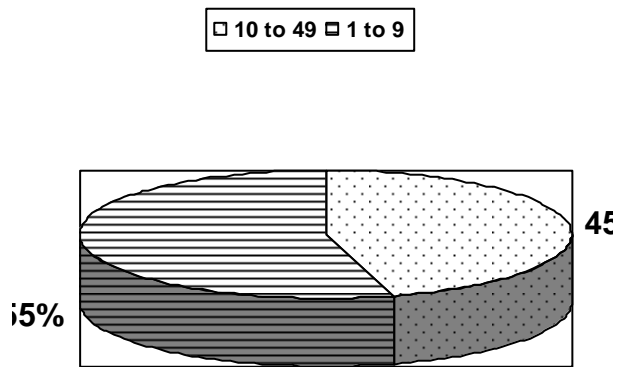
Figure 9: The juridical form of the interviewed eco-companies

One interviewed organization was NGO while the other were SMEs.

**Question 14:** Where is located the headquarter of your company?

The majority of the companies have the headquarter established in Bucharest.

**Question 15:** How many employees do you have?



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Figure 10: Number of employees

Six firms have less than nine employees being micro-enterprises and six of them are medium enterprises, with the number of employees between ten and forty-nine employees.

#### 4 Conclusion

The Romanian eco-businesses understood the necessity of development and implementation of the latest patterns in order to assure a sustainable development of the business. The entrepreneurs are conscious about the poor state of it in comparison with other European companies.

According to the studies in this domain, European companies that have green products have a significant increase in notoriety and sales, for some years now. (Ucenic and Bacali, 2007)

Further research has to be done in order to provide reliable information for long run strategies for sustainable development. The researchers and entrepreneur have to concentrate for it.

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