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EXPORT PROJECT: FURNITURE FROM GERMANY TO MALLORCA

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**Degree in Business and Tourism Management
Faculty of Tourism**

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Index

I. INTRODUCTION	7
II. OBJECTIVES	7
III. METHODOLOGY	7
IV. RESULTS	8
1. COMPANY OVERVIEW AND PROJECT SUMMARY	8
1.1 Company overview	8
1.2 Summary of the Export Project	10
2. MAIN ECONOMIC AND TRADE INDICATORS	11
2.1 Main economic indicators	11
2.2 International commerce indicators	12
3. TARGET COUNTRY ANALYSIS	14
3.1 Geographical distance	14
3.2 Social environment	16
4. MICROECONOMIC ANALYSIS	19
4.1 Regulations and laws	19
4.2 Product demand	21
4.3 Product supply	24
4.4 Quantification of the main market	28
5. ACTION PLAN	31
5.1 SWOT	31
5.2 VMOSA	32
5.3 Gantt chart	35
6. RETURN ON INVESTMENT	36
V. CONCLUSION	38
BIBLIOGRAPHY	39

Tables, Images and Figures Index

Tables

Table 1: Company overview	9
Table 2: Financial overview	9
Table 3: Market overview	9
Table 4: Contact overview	9
Table 5: Macroeconomic indicators	11
Table 6: International trade indicators	12
Table 7: Ranking furniture import countries in Spain (in thousands €)	31
Table 8: SWOT analysis	32

Figures

Figure 1: Relevance of sustainability for German customers (2016)	21
Figure 2: Exports Spanish furniture (in thousands euro)	25
Figure 3: Growth in the German furniture industry	29

Images

Image 1: World exports and imports	30
Image 2: German furniture exports Jan - Dec 2018 (top 10)	30
Image 3: Gantt chart export project 2021 - 2022	36

Abstract

The objective of this thesis is to enlighten every step an export project follows when trying to enter a foreign market. In this case, it is a German furniture producer company, and the foreign market refers to Mallorca. In first place, the company overview is made and the project is detailed. Also, the chosen destination is explained. Followingly, the target country is described, and the differences among both are explained in terms of economy, society and work environment, so that it is possible to establish the market segment it will be focused on: German residents, holiday-homes and the business sector. Thirdly, the microenvironment explains where the demand will come from, how this one going to be supplied and all the legal aspects concerning an export between member-countries of the EU. The next step requires the internal and external positive and negative factors affecting the exporting firm, as well as the description of their values and objectives and how are they planning on meeting them. Furthermore, it provides the planning of different activities during a particular time period. The last part shows the numerical reflection including the Return on Investment. It concludes with a positive outcome.

Resumen en español

El objetivo de este trabajo es ilustrar cada paso que sigue un proyecto de exportación con la intención de expandirse a un mercado extranjero. En este caso es una empresa alemana productora de muebles y el mercado extranjero se refiere a Mallorca. En primer lugar, se explica generalmente la empresa y se detalla el proyecto de expansión. También se explica el destino escogido. Después, se describe el país destinatario y se analizan las diferencias entre ambos países en cuanto a economía, sociedad y entorno laboral. De esta forma es posible establecer el segmento de mercado objetivo: residentes alemanes, viviendas vacacionales y otras empresas. En tercer lugar, se explicará a través del entorno microeconómico de dónde vendrá la demanda, como se proveerá a ésta, así como los aspectos legales que referidos al comercio entre países miembros de la Unión Europea. El siguiente paso requiere un análisis interno y externo, positivo y negativo de los factores afectantes, al igual que describir los valores de la empresa, sus objetivos y cómo cumplirlos. Además, muestra las actividades a llevar a cabo durante un periodo de tiempo determinado. Por último, se refleja numéricamente el retorno de la inversión. Concluirá de forma positiva.

I. Introduction

My very first thought was to choose a marketing topic, because that is one of the things I have learnt and liked the most in my degree. Nevertheless, I had the opportunity to choose my own topic, therefore I changed it to the actual one: Export Project. I got inspired by the number of firms that are able to expand internationally and I want to analyse how it would be for a German firm to start exporting furniture to Mallorca.

There has been a stable relationship between Germany and Mallorca since the 60's, thanks to the tourism industry. Nowadays, more than 50 years later, Mallorca is still one of their favourite spots, confirmed by the number of visitors each year and property owners. Furthermore, it is quite interesting how they love Mallorca, but they still want to feel like home and have their national products, which will be chosen over Spanish, or any other nationality, items. Nowadays, Germany is the first furniture exporter in Europe and the second one worldwide. Moreover, it is also the second largest exporter to Spain. Therefore, I think this project will show a positive trade result.

In the making of this essay, there have been some limitations. This essay does not consider the existence of the COVID-19 health crisis, for some reasons: there were not enough 2020 data and these data would be influenced by an extraordinary and unexpected situation, not being able to make general findings.

II. Objectives

- a) Give an overview of the exporting company**
- b) Analyse the macro indicators concerning both countries**
- c) Describe the target country**
- d) Analyse the microenvironment**
- e) Establish the Action Plan**
- f) Estimate the Return on Investment**

III. Methodology

In the means of deepen into the established parts and previously numerated objectives, both countries will be analysed concerning their economic and social characteristics. Germany's analysis will be more at country-level meanwhile Spain's will be focused on the Balearic market. In terms of particular aspects regarding the report, Signet is going to provide their company data, as well as indicating their usual pathway when entering foreign markets. The research concerning potential demand segments and potential partnerships will be made telephonically, physically and via e-mail, as well as looking up websites and data of the furniture segment in both countries. The Action Plan will encompass the Strengths, Weaknesses, Opportunities and Threats analysis, the VMOSA and complete it with the Gantt Chart. The last part comprises the Return on Investment (ROI), which links the net profits to the investments and is a performance indicator. The following formula shows how it will be computed:

Image 1: ROI formula

$$\frac{\text{(RETURN - INVESTMENT) (\$)}}{\text{INVESTMENT (\$)}} \times 100\%$$

Image: Custódio, 2018

All of the mentioned aspects make possible the formulation of an export project relating Germany and Spain even more than before.

IV. Results

Following, the objectives will be developed according to the mentioned methodology.

1. Company overview and project summary

1.1 Company overview

Signet Wohnmöbel, translated from German “Signet home furnishing”, is a German furniture producer brand founded in 1990 in Hochstadt, Bavaria. At its beginning there were only two members taking part in the firm, but slowly it began to grow into a medium-sized family business. After 30 years, the company was sold to his current owner, Thomas Schlosser, who became chief executive officer the first day of January 2020. Nowadays, Signet is well-established in Germany and it is present in other European countries in hotels and houses thanks to their designs. Their turnover reached 9 Million euros last year and allows to employ 80 workers, who are divided into office departments and manufacturers (fabric measurement and cutting, sewers, wood- and metal-cutters, upholstery...). Its current social capital is 100.000€, which is a quite high value concerning their social characteristics. “GmbH” means it is a limited liability company, and for these companies the minimum capital is 25.000 euros, Signet’s amount is four times higher (Welt der bwl, n.d.).

Their main values are equality, honesty and responsibility, leading to a firm that, since the very first moment, took a step into sustainable production. From the design, alongside the complete production process and until the final customer is reached. This includes in each piece of furniture adjustable features, so that the different customer needs can be met.

According to their philosophy, *100% Signet, 100% Germany*, they are proud about their homemade outcome. Everything is handmade in their manufacture-firm and ensured to last over the years: multifunctional high-quality furniture for the future as well as responsible with the environment, two features that are very important to the main consumer segments.

In order to have a clearer perspective, followingly the overview of the company as well as financial and contact data are outlined.

a) The company

Table 1: Company overview

Company name	Signet Wohnmöbel GmbH
Legal Status	GMBH
Parent Company	Signet
Head Office Address	Bayernstraße 9 96272 Hochstadt
Web site	www.signet-moebel.de
Telephone	+49 (0) 9574 65470 - 0
Telefax	+49 (0) 9574 65470 11
E-mail address	info@signet-moebel.de
Level of production	10.000 pieces*
Number of employees	80
Year of creation	1990
Capital	100.000 euros
Type of activity	Design and manufacture of sustainable furniture

Source: own elaboration

b) Financial data

Table 2: Financial overview

Year turnover	Around 9.000.000 euros
Export turnover	Around 10% of turnover

Source: own elaboration

c) Domestic market

Table 3: Market overview

Brands	Signet Wohnmöbel
Product lines	Sofas Upholstered benches and systems Loungers and Armchairs Stools and accessorise
End users	Middle- and high-class customers who care about sustainability and quality
Distribution channels	Retailers: stores (more than 90%) and their online version (5%) Traders (8%): interior design studios and architects
Suppliers	Mainly regional suppliers

Source: own elaboration

d) Contact in the company

Table 4: Contact overview

Name	Thomas Schlosser
Function	Owner and CEO

Source: own elaboration

The sources concerning the previous information are the CEO of the company and the firm's website.

*By pieces it is referred to final products. This is a guided number; the level of production is between 80 to 200 per week.

1.2 Summary of the Export Project

Signet Wohnmöbel is a known brand in Germany and in the neighbour countries for their adaptable design, sustainability and quality. They sell their products through resellers in furniture stores across Germany, but they can also be found in the online version of those shops. Moreover, there are already export lines to other central European countries such as Belgium, Luxembourg, France, Italy and Austria, where trade among them is easy due to the lack of borders withing member countries of the EEA; and to Switzerland, who is a third country, and the process is more complex due to the custom clearance. But this factor has not stopped Switzerland from being a very big buyer, as well as Luxembourg, whose market is as big as France, Italy and Belgium together. In total, these exports represent around 10% on their annual turnover.

Concerning an export project to Mallorca: First of all, why Mallorca and not the whole Spanish country? The main reason is because it is better to enter the Balearic market due to the connection it has to Germany and the number of German permanent residents and vacation-home owners that can be found there. Although an export lines as such does not exist yet, there have been made private exports to Mallorca by customers who wanted to have the furniture in their vacation residence, and also the real estate company Engel & Völkers bought and placed some furniture in their for-sale properties on the island, leading to some purchases of the pieces when selling an estate. The number of German population than can be found in Mallorca makes the Balearic Islands a relevant potential market segment.

In second place, whom are the goods going to be sold to? The potential market segments that are going to be analysed are German residents, Germans who own a holiday-home, Spanish residents and Hospitality firms. Signet's furniture combines functionality and design: it looks high-quality, it offers customisation options in terms of size and fabric and its features can be switched easily - from a sofa, to a bed. Therefore, it is a great option for hotels who want to be able to have a good-looking sofa for a double room, which as well might be a bed for the same room, for four guests.

In third place, how are the products going to be sold in an unknown market? Concerning the number of Germans and that they are going to be a potential target segment, the brand will not be considered unknown to them. It is true that Spanish residents may not know Signet yet, but establishing retail partners on the island is going to solve that problem, making them not only familiar with the new furniture brand, but aware of the sustainable production and quality. The fact that it is made in Germany, rather than in China (or similar countries) justifies the price and makes buyers more willing to spend their money on something durable, sustainable, quality oriented and functional, rather than cheaper products,

produced under very low working-conditions and limited quality. The targeted segments are going to be middle- and high-class customers, who not only would like to buy products within this price range, but also have the possibility to do so.

All this has led the company to share their wish to expand their export destinations to Mallorca. Thanks to the membership of the European Union, there should not be a lot of difficulties to be faced. Nevertheless, there sure are going to be language requirements that have to be met, as well as other obstacles in terms of transport, which are going to be considered in this report.

2. Main economic and trade indicators

2.1 Main economic indicators

The main economic indicators help to explain the situation of each country and allow comparisons. Germany and Spain are both European countries sharing a common currency, the euro, yet there are numerous differences among them.

Table 5: Macroeconomic indicators

	Germany		Spain	
	2018	2019	2018	2019
GDP (in EUR Billion)	3,344	3,436	1,202	1,245
GDP per capita (in EUR)	40.395	41.471	25.882	26.692
Variation of GDP over a year (%)	1,5	0,6	2,4	2
Inflation rate (%)	1,7	1,4	1,7	0,8
Unemployment rate (%)	5,2	5	15,3	14,1
Trade balance (in EUR Billion)	231	226	-33,8	-32,0
National Debt (%) (to GDP)	61,9	59,8	97,6	95,5

Source: own elaboration

In first place, the **GDP per capita** is the division of the GDP into population, indicating the level of performance. The higher the GDP per capita, the higher is the standard of living. In both countries it has increased slightly from 2018 to 2019. It is to mention the differences between them: Germany has nearly the double amount of population (83 Million) than Spain (46,7 Million), this may be a crucial reason why their GDP is so much higher and nearly doubles Spain's GDP per capita (Focus Economics, 2020).

The **variation of the GDP** over a year compares one period to the period before. The GDP is compound of consumption, business investment, government expenditure and net trade. As it is shown on the table, the growth of both has been reduced, however, Spain's GDP has experienced a higher growth rate than Germany's (Focus Economics, 2020).

The **inflation rate** measures an overall increase in the Consumer Prices Index (CPI). Each country chooses a different "basket" of products to compute it, therefore it usually differs between countries. It includes goods which have been

consumed, whose production can be inside or outside of the country. In order to compare the inflation rate, the CPI uses fix ponderations and becomes ACPI. The EU establishes that there has to be an inflation rate lower but close to two percent. In 2018 both countries had a quite good rate, however, this rate reduced in the following year much more in Spain (Focus Economics, 2020).

Dividing the unemployed people by the working-age population multiplied by 100, the **unemployment rate** is obtained. Spain has always suffered from one of the highest unemployment rates in the EU, however, this rate has decreased, meaning more people have been employed. This indicator can show whether an economy is facing problems, the higher the unemployment rate, the greater the possibility of an economic recession. Also, a lower rate may reflect a prosperous period. Not only is Spain's unemployment rate lower than Germany's, but it also counts as one of the lowest in Europe (Focus Economics, 2020). Moreover, its employment rate experienced only a small increase in 2019 (48,81%) to 2018 (48,43%). So did Germany's employment: from 75,8% to 76,4% (Trading economics, n.d.).

The difference between exports and imports is known as **Trade Balance**, Balance of Trade, Net Exports, Commercial Balance or International Trade Balance. As it is shown on the table, Spain has a negative Trade Balance, which implies that Spain imports more than it exports. However, the difference from 2018 to 2019 implies that there have been less imports than the year before, but also less exports (see [Table 6](#)). Germany's Balance of Trade has also been decreased (Focus Economics, 2020).

Government Debt, Country Debt, Sovereign debt or **National debt** is an indicator formed by the public debt and the intragovernmental debt. The first part refers to the different departments inside a government, while the second one reflects how much the government owes to the buyers of its bonds (investors and foreign governments). In this case, both countries have reduced it in 2%, which is a positive aspect. However, Spain's debt represents 95% of the GDP, which means that they probably will not be able to reduce it consistently, if they do not expand their domestic production. Moreover, it is far from the European Central Bank's indication of 60% debt. Contrarily, Germany's debt was reduced so that it accomplishes the indication of the ECB (Focus Economics, 2020).

2.2 International commerce indicators

Table 6: International trade indicators

	2018	2019
Exports of Spain (% to GDP)	35,1%	34,9%
Imports of Spain (% to GDP)	32,4%	32%
Closest commercial import partner	Germany	Germany
Closest commercial export partner	France	France
Cover ratio of Spain with Germany	1,08	1,09

Source: own elaboration

The above listed indicators show how Spain is suitable as a new export partner for Signet. Due to the fact that Spain mostly imports from Germany, there is already an established trade relationship including the required means (roads, ports, shipment, permission) for a new export project.

Spain's exports and imports include goods and services. Therefore, the export percentage seems to be higher than the imports, although the trade balance is negative. It mostly imports oil, automobiles, automobile components, pharmacy products and gas, mainly from Germany. While it exports mostly to France, also oil, pharmacy and automobiles and components. Another remarkable fact to this potential project is that Germany is the second major importer from Spain (OEC, 2020). This may be due to its always-high-demand for Spanish services, for example, tourism, among other products.

The cover ratio expresses the ratio between the value of exports and imports of two countries concerning both goods and services and indicates the growth speed (INSEE, n.d.). As the ratio experiences a slight increase from 1,08 to 1,09, this means, the imports decrease more rapidly than the exports do.

Referred to the furniture sector, Europe is stated as the second largest producer after Asia, accounting for a 25% of the total output. The main exporters are Germany, UK and France. Germany is not only the biggest exporter in Europe, but also the largest one worldwide, only preceded by China. In 2019, Germany exported 20.422.800 kilogram of furniture or parts of furniture to Spain (OEC, 2020).

Spain is increasing its share in the industry, exporting mainly to France, followed by Portugal, Germany and UK. It is to remark that exports to Germany experienced a much lower growth than the rest of the partners, in addition, France imports more than the other three countries combined (Mueble de España, 2018).

It is to highlight that Spain's imports are also growing, generally from China, however Portugal and Germany have also a big share in it, followed by Italy, France and Poland. Being Europe part of Spain's imports and accounting a positive variation, it is safe to affirm that not all imported furniture in Spain is considered "low cost". This is an important point in this export project, because if it was the other way, it would not be profitable to expand the trade partners of the company (Mueble de España, 2018).

Historically, the relationship between Germany and Spain has mostly been strong, familiar, peaceful and supporting. During the First World War Spain remained neutral and during the Second World War it remained neutral but sent troops to support Germany. In 1955 Spain was admitted into the United Nations, while Germany had to wait until 1973 and, as it was still split in two, the admission took place separately. After the war, during Franco's dictatorship, Spain negotiated during many years an agreement with the European Community, where Germany already was a part of, and finally signed it in 1970, ten years later.

In 1957 the European Economic Community (since 1993, European Union) was founded, including the western part of Germany, signing the Treaty of Rome. In 1986 Spain became a part of it as well and so did the oriental part of Germany in 1990, after the wall-fall in 1989. Traditionally, relations between both countries have been pleasant and there is a great trade exchange, as mentioned above. The EU has trade agreements with EFTA (European Free Trade Association) formed by Switzerland, Iceland, Norway and Liechtenstein. The last three also form the EEA (European Economic Area) Agreement, which establishes free movement of people, capital goods and services through all the 31 EEA states.

Regarding all the information explained above, it is safe to say that, according to their relations and established commercial agreements, Spain is a good destination to enlarge Signet's exports.

3. Target country analysis

3.1 Geographical distance

Spain and Germany belong both to Europe and share a common neighbour, France, meaning that they are not located far from each other. In order to establish the most accurate route, different possibilities are going to be analysed.

The territory of Spain comprehends the mainland (Iberian Peninsula), two archipelagos (Canary Islands and Balearic Islands) and two autonomous cities (Ceuta and Melilla). This project is only considering the new export route to the Balearic Islands, more concrete, to Mallorca. Mallorca is the biggest island of the archipelago, located in the Mediterranean Sea. It takes between two and two and a half hours to fly from Mallorca to Germany (meineflugzeit, n.d.).

Nevertheless, it is also reachable by sea, due to the two commercial ports: one in Palma, located in the west-southern region, and the other in Alcudia, in the north-east of the island. Transporting goods to and from Germany by sea is very common: Hamburg has the second largest port in Europe, after Rotterdam in Netherlands. However, all its ports are located in the north, by the Nordic Sea and the Baltic Sea (Statista, 2021). Thus, a maritime export line to Spain from a German port is going to take very long. In the following paragraphs, different means of transport are going to be analysed, considering the transport between the manufacturer and the final buyer.

Hochstadt, the location of Signet's manufacturing is near Nurnberg, in the region of Bavaria. Inside Germany, the region of Bavaria is located in the south and it borders Austria and the Czech Republic.

Air Transport

Freight air transport in Germany is ranked at the leading position in Europe in Frankfurt Airport, followed by eighth place Köln and 15th Munich (El Mercantil, 2020). Köln is not a good option due to its location, so it is not going to be taken into account. This makes a total of three possibilities. By plane, the connections are very similar, taking a few minutes more than two hours from Frankfurt, Munich and Nurnberg (meineflugzeit, n.d.). This last is the closest to the factory, taking a

one-hour drive. Despite the fact that it is possible to fly from Nurnberg airport to Palma's, the airport is very small and there are other potential roads.

After doing some research about cargo flights, the result is to have a layover in an airport on the mainland, before continuing the route to Palma. The two most considerable options are Madrid Barajas and Barcelona El Prat Airport (AENA; n.d.). Although both Spanish airports are equipped for this kind of operations, Madrid's airport is in a higher position in the ranking (El Mercantil, 2020) and has better and more often connections (IAG Cargo, n.d.).

The different options are transporting the goods by plane from Nurnberg to Palma, taking an hour by truck, four by plane to Madrid and another hour to Palma. In second place, which may be a better option because the airport is bigger and has more facilities to store the goods and probably a faster service, flying from Frankfurt to Palma. The land road takes two and a half hours, and then flying it to Madrid takes an additional two and a half hours, plus one hour to Palma. Lastly, Munich, located in the south of Germany, is three hours away from the firm and a little less than three hours to Madrid and one hour from there to Palma

Having looked up AENA's website to know which cargo airlines existed and where they operated, as well as Frankfurt Airport cargo flights, the most suitable route, in case the air transport services are going to be used, would be transporting the goods by truck from Hochstadt to Frankfurt Airport. Then, Lufthansa Cargo AG would fly the freight to Madrid Barajas Airport and finally, Swiftair would bring it to Mallorca's Airport. Once arrived in Mallorca, a local transport company would be in charge of the delivery to its final destination: the buyer.

Sea Transport

As explained previously, German ports are all located in the northern part of Germany. The goods would need to be carried, for example, to Hamburg port, what already takes nearly six hours. Then, a ship would need to travel past Germany, the Netherlands, Belgium, France, Portugal and Spain, until finally reaching the Mediterranean Sea and Palma's port. This is a cheaper but a lot longer option. Considering another option of sea-transport, a truck has to go by road from Hochstadt to Toulon (France), taking around twelve hours, and then they would be shipped to Mallorca, arriving in Alcudia taking a bit more than ten hours. This route would take around one day, considering there are no stops along the road. Another possibility is to travel by truck to Barcelona and then be shipped to Palma's port. In this case, the route on land takes nearly 15 hours and another eight hours by ship.

To sum up, the explained routes are based on the fact that Signet organizes the export on its own. Although shipping the goods takes much longer, Signet does not charge transport costs regularly. For this reason, the combination of a road and maritime transport is preferred. To address the market, it will be explained how a partnership would affect the transport method and route in the objectives and strategies (VMOSA).

3.2 Social environment

Concerning an export project, it is important to have a certain knowledge about the target country or market. In the means of enlightening about the potential market, Mallorca is going to be analysed and compared to Germany.

Population & Religion

Spain has a population of 47 Million, which mainly lives in urban territories, among them, 32% live in capital cities. Nearly 900 thousand people live in Mallorca, and almost half of it live in Palma. Spain's population is mostly between 16 and 64 years old (65%), 19% is over 65 and 16% under 16. There are different nationalities that live together: 86% are Spanish while the left 14% is divided into Europeans (more than 50%), Africans, Americans and Chinese. Their main religion is Catholic (77%), atheists 19% and the left 3% different religions (Santander Trade, n.d.).

Germany has a population greater than 83 Million, from which 77% live in urban cities. Concerning the nationalities, the immigrant distribution is different. Over 90% are Germans, followed by Turks (3%) and the rest is mix of European nationalities. In the last years, population grew a little less than one percent, due to the fact that one million refugees were accepted, generally from Syria, Afghanistan and Iraq. The main religion is Christianity, where half are Catholics and the other half Protestants, four percent are Muslims, and the rest is either atheist or a minority of a different religion (Santander Trade, n.d.).

The German population accounts for 111.625 in Spain, from which 18.764 are permanent residents in the Balearic Islands (INE, 2020). There has been a decrease from the 130.505 German residents Spain had in 2015 (Nafria, 2015), what has been also experienced in the archipelago, from 22.210 inhabitants. This phenomenon continued the following years, being 18.922 residents in 2019. Overall, in the last decade, there has been a reduction of almost half of the German population (Ultima Hora, 2020). This reduction is linked to the economy and the job difficulties they have encountered. Nevertheless, there are still numerous Germans who prefer having a vacation-home on the island. After the 2008 financial crisis, the market was at its lowest, so that many foreign investors were attracted to Mallorca. In 2013, around 30.000 Germans had a second property, quantity that grew in the following years (Beader, 2013). In 2017 the exchange of properties grew 30% to the previous year (Fraudanwalt, 2017).

This leads to a situation where, although every year permanent residents no longer have its first residence on the island, there is an increase in real-estate purchase. This makes plenty of potential buyers, because the fact that they come for a few months means that they probably do not speak Spanish, they want something they may already be familiar with and they do not want to spend a lot of time searching for the perfect sofa for their vacation-home. The similarities in terms of population and religion make entering the new market easy by reducing the barriers. Moreover, as it is explained in the following sections, their acquisition power is higher than the residents', making them an interesting market segment.

Economy

Economically, both countries are similar in terms of the importance of the sectors. According to World Bank data, the agriculture sector represents less than 1% of the German GDP, while in Spain it represents almost 3%. This may be because Spain is the number one olive oil producer worldwide, and the third in terms of wine production. Moreover, Spain produces the typical components of the “Mediterranean diet” and Germany is focused on cereals (Santander Trade, n.d.).

The industry sector is more developed in Germany (28% of the GDP) than in Spain (20%). The automobile business is the main industry, followed by mechanic engineering, electronic devices and chemistry. Otherwise, in Spain the manufacturing industry is very important (11% of GDP) comprising textile, food processing, metals and machinery. Also, telecommunications are increasing their share in the sector (Santander Trade, n.d.).

Services are the main economic activity both in Spain as in Germany, contributing in 68% and 62% to the GDP of each country. More than three quarters of the Spanish active population has a job in this sector, being tourism the main source of income for the country, followed by the banking sector. In Germany, 72% of the active population have a services-oriented job, generally in businesses or technology-related. In addition, their economic model relies on small and medium-sized enterprises well connected internationally (Santander Trade, n.d.).

The Heritage Foundation measures ten different aspects bundled into four categories: Rule of Law, Government Limits, Regulatory Efficiency and Open Markets. These take into consideration things such as corruption, property right, government spending, business and monetary freedom, financial and trade freedom. Each one is measured from zero to one hundred and the final score is the average of the ten components. The ranking is divided into “Free”, “mostly free”, “moderately free”, “mostly unfree”, “repressed” and for those who have a lack of measurement, “not ranked” (Index of Economic Freedom, 2021).

From 2017 to 2019 Germany was placed 24th globally. This means, that they are *mostly free* economically. The latest data, from 2021, shows a reduction of one point in their freedom, on the 29th place at 72,5. Spain, was at place 57 until 2019 with 65,7 point, however they have improved their qualities and now they are at place 39 (69,9 points), being both places part of *moderately free* (Index of Economic Freedom, 2021).

For both countries this is a good indicator, and it only shows how similar they are in terms of freedom, although Germany is in a superior category, but the difference among them is less than three points.

Work environment

Regarding the income and the distribution, it is to expect that Germans' income is higher, due to the fact that their GDP per capita is much higher (see [Table 5](#)), coming almost to 41,5 thousand, while the average value in Spain does not even reach 30.000 euros. More than 60% of the population earn 52.934 euros gross, compared to the most usual 33.372 euros gross salary in Spain. Nevertheless, the difference between gross and net is 36% for the German salaries, coming to

an average of nearly 40.000 euros, whilst for the Spanish market, there is a difference of 27% between both values, resulting in an average net salary of 34.000 euros, meaning that although there is a difference, it is mostly reduced in net terms (Average Salary Survey, n.d.).

The minimum salary in Spain, without any variation to Palma de Mallorca, is 1.108,3 € (Las Provincias, 2020), while in Germany it is 1.584. The difference is a little less than 500 euros. However, there are some facts that need to be highlighted. First of all, the minimum salary only considers the lowest accepted income by law. There is a more important aspect: the average salary. Again, there are some differences between both countries. While in Spain it reaches 1.940 (20 Minutos, 2020), it differs in 2000 euros from Germany's average 3.944 euros (Welt, 2020), both gross. Nevertheless, the German data is affected by the little percent that earn much more than the average and increase the mean value. More than two thirds earn below the "average" value. According to the INE (n.d), Spain's salary in 2019 was the highest one in the last 13 years, experiencing a growth of 4,17% compared to 2018. On the Balearic Islands, the average income is higher, being 2.124,98€ for a full-time job and 852,63 for a part-time job (20 Minutos, 2020).

Despite the big difference between both GDP per capita values, facing the possibility to sell to potential Mallorca-customers, the GDP per capita in Spain is going to be compared. There are seven autonomous communities that are above the average (26.692), including the Balearic Islands. This fact is based on the tourism sector that affects the archipelago and increased the GDP thanks to the millions of tourists that come every year. The Balearic Islands occupy the sixth place in the national-wide ranking, with 28.143 euros per capita, followed by la Rioja and preceded by Madrid, Basque Country, Navarra, Catalonia and Aragón (Mallorcadiario, 2020).

Belonging to the middle class involves earning between 20.000 and 60.000 annually. The Balearic GDP per capita is higher than the average and between those two values, so it can be assumed the existence of a middle class (Bengoá, 2018). Nevertheless, the Balearic Islands is a region with a low percentage of high-income salaries, only 23,3% earn more than 2.187 euros. This is an important fact when it comes to market segmentation in order to establish who to sell to (Última Hora, 2019).

Based on the price of the furniture, the main target segment is going to be high-middle class and high class. Spaniards should also be passionate about furniture and sustainability, so that they are willing to spend more. Moreover, within these social divisions, it is to remark that there are many permanent German residents in Mallorca, although the number decreases every year. Generally, they belong to the middle class, so this group may also be willing to spend more on German sustainable furniture than on furniture "made in China" or low-cost and not sustainable. Lastly, the number of Germans who own a second property in Mallorca is large and increasing. This is a very interesting segment due to the fact that they have more acquisition power, they are probably more quality and design-oriented and also care about the production and sustainability of the furniture (PwC, 2019), so that they have the willingness to purchase the German

products. Also, the business sector is appealing, especially the luxury businesses, as well as firms focused on the mentioned social classes. For example, the hospitality industry is a great potential segment to sell to.

4. Microeconomic analysis

4.1 Regulations and laws

Importing a product from one country to a foreign one implies different regulations and laws. Fortunately, Spain and Germany share a few features: both belong to the European Union and to the European Economic Area. The EEA is formed by 31 members, based on an agreement of free movement of people, goods, services and capital. Referring to this, the Single Market, was created in 1993, assures also free establishment of residence, work, study and business performance within members. Moreover, there are no customs duties inside this area: when a good has been imported from a third country, it needs to be checked at the customs office of the first EU country, but then it can move freely inside the EEA. Both countries share the same currency, the Euro, and, therefore, belong to the Eurozone. This is also a fact that makes trade easier, because the need to convert from one currency into a different one does not exist. Neither does the price need to be adapted. (EFTA, n.d.).

At the same time, the EEA Agreement does not consider the following policies (members have to design their own): agriculture and fisheries, customs union, trade policy, common foreign and security policy, taxation, economic and monetary union and the belonging to the Schengen agreement (removal of internal travel barriers and border controls between members of the pact) (EFTA, n.d.).

Highlighting the previous information, there are no trade restrictions within the EEA, excluding some goods, such as military equipment. Furthermore, there are special taxes only on some goods, for example, energetic goods, alcohol and tobacco. The rest of the goods, including furniture, need to pay the Value Added Tax (VAT). The EU established the rule of a minimum of 15% of the tax. However, the charged percentage is different for each country, being Germany's general tax 19% and 21% in Spain (Avalara, n.d.). Depending on whether the good is sold to a firm or an individual, the tax is computed differently (Emprendedores, 2021).

When the buyer is a firm, and both parties joined the ROI (Registration of intra-community operators), only the target-country tax is paid. In this case, when a Spanish firm buys Signet furniture, the product will not include the German VAT, but the firm is going to pay the Spanish tax. In the second case, when an individual buys something from another UE country, the person is going to pay the origin VAT, meaning that the 19% of German VAT is going to be charged on the sale (Emprendedores, 2021).

Required documents

As mentioned above, there are no tariffs nor customs duties, but this does not exclude members from providing relevant documentation:

- Commercial invoice, including the VAT registration of both countries; code, number, name, quantity and price, destination; name and registration of the transport company and warehouse information.
- Sanitary and Phytosanitary document, not relevant in this case, because it only applies on living animals.
- Optional: delivery note. It is signed by the buyer, once he received the goods.

There are no required transport documents within the two interested parties. This means, enlarging the shipment destinations to Spain, is going to be a simple process and fast in terms of bureaucracy.

Packaging and procedures

Coming back to the Single Market, its aim is to eliminate trade barriers, as well as providing specific requirements. Members of the European Union must ensure the next specific objectives: Guarantee that its products comply the requirements, provide information about how companies implement them, update procedures towards complaints, avoiding failure and following up the compliance of services with the directive (EUR ex, n.d.).

In terms of manufacturers, which in this case applies to Signet, they must take into account the harmonized standards, applied as well to potential changes that might occur; provide the required documentation and keep the information for five years, give specific contact and identification details and provide easily understandable instructions and safety information (EUR Lex, 2019).

Also, importers must ensure two important aspects: that the product includes the required documentation in terms of instructions and the CE marking. This mark confirms that the product suits the relevant environmental, health and safety requisites as well as fulfilling the Conformity Assessment, which confirms that the product satisfies its purpose (EUR Lex, 2015).

The European Committee for Standardization (CEN), composed by 34 members, makes it easier to sell goods to the members of the Single Market thanks to the consolidation of the European Standards, recognising them across the European countries. These standards reflect the economic and social interests of their members, mostly from the industry, but also from consumers, Small and Medium-sized Enterprises, associations or European legislation. Being part of CEN establishes the adoption and sharing of good practices by all parties (CEN, n.d.).

Every member has its own national standardisation system, in Germany it is the DIN (German Institute for Standardisation) and in Spain it is called Spanish Standardisation Association (UNE). These institutions help establishing the national and international standardisation regulation, they distribute the European one and they have to avoid conflicts between the national and the European standards (CEN, n.d.).

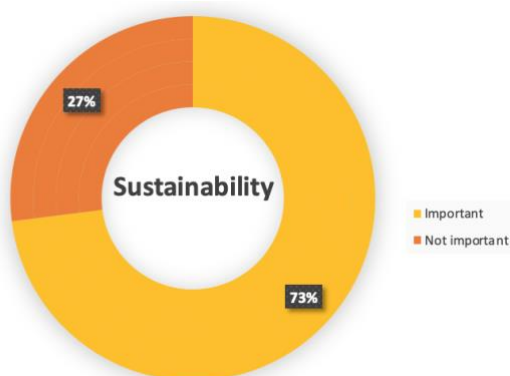
Exporting from Germany is restricted on threatened plants and animals, war material and cultural artefacts. This does not affect the export project (furniture), so that it can be proceeded. Moreover, there are no taxes on export. Exporting comprehends two steps to follow: an electronic submission of the export declaration and the examination of the goods to confirm they correspond to the export declaration, which contains the commercial invoice. Members of the EU have to follow the European packaging legislation in order to protect the environment and consumers regards waste treatment and health risks (Santander Trade, n.d.).

When exporting to Spain, the mandatory packaging and labelling language is Spanish, including co-official languages for the different autonomous communities (Catalan, Valencian, Galician and Basque) and other languages for commercial use. It is compulsory to use the metric system as a unit of measurement, which is the same as in Germany. The “made in” mark of origin is also imperative in the export to Spain. This differs from the German rule, because it is not mandatory, unless the imported goods are food or alcohol, but it is used as a branding tool. Moreover, not only the European standards have to be met, but also the national Spanish legislation and the Spanish standards established by UNE (Santander Trade, 2021).

4.2 Product demand

In the following section the demand-side will be explained. After analysing the social environment, the target segments can be established. In the first place, considering the price range of the products, the addressed segment is high-middle class and high class. The buyers, who are divided into German residents in Mallorca and Spaniards, share common features: they look for durable pieces, functional without forgoing on quality and aesthetics, and led by the durability, they look for sustainability, as it is shown on the next graph. “Consumer environmental awareness has increased, they attach importance to natural, environmentally friendly materials and a sustainable fair production method. They are also willing to spend more money on this.” (PwC, 2019)

Figure 1: Relevance of sustainability for German customers (2016)



Source: PwC

Referred to Signet, this aspect can be found in the production process: the materials' origin country is Germany, this applies not only to wood and metals, but also to the fabrics, upholstery and leather trim. They have posted on their official Instagram account information about how they use green energy, produced by themselves through photovoltaic panels and roller conveyors taking advantage of the terrain's gradient.

Concerning the Spanish segment, sustainability is also gaining importance: 56% consider the climate change the most threatening aspect nowadays (El País, 2019). This affects both, home and office furniture. Newest trends reject chemicals in the materials, which harm the environment and can lead to health problems. Also, there are other benefits from purchasing sustainable furniture: reduction of emissions and improved performance, generating more profits, thanks to cutting down supply costs. (Arista, n.d.). For this reason, entering a new market with a sustainable approach is an advantage for Signet, because their production has been sustainable since the foundation.

Signet's pieces are designed so that they persist in time. For example, integrating deductible covers (on the sofas, armchairs...) makes them easy to wash and to replace. This is a positive aspect for Mallorca: when the furniture is placed in the holiday home, fabrics may be damaged due to sun-exposure or saltwater contact (after swimming in the sea). Making it possible to uncover them does not only facilitate the cleaning but it may also lead to avoid removing the whole piece when changing the decoration. The customer could easily switch to a different colour without having to buy a new sofa. The same applies to Spanish households.

Thereupon, middle-high class and high class, both Germans and Spaniards, have the acquisition power to pay for more sustainable products. In the German sector, nearly three quarters consider it important (PwC, 2019), while in Spain a little more than fifty percent consider important the climate change (El País, 2019). It is to highlight that the environmental awareness is increasing and therefore a growing number of customers is willing to spend more on less hazardous goods. Another relevant aspect is whether these customers receive visits often and if they stay at their place. This can lead to different purchase decisions: someone who receives guests during the day would probably buy armchairs, a small sofa, seats and chairs, while someone who has overnight guests is more likely to buy for a couch and a small table as a bedside table.

Then, there is also the business sector. Signet already dresses hotel rooms and halls in Germany and other countries. For the national market, mainly boutique hotels and Motel One hotels, as well as restaurants, bars and cafés, more occasionally. Outside their borders, Austria is the dominant country when it comes to furnishing hotels. This sector is interesting to address, because there is a high number of four- and five-star hotels in Mallorca, added to the bright variety of boutique hotels in Mallorca, as well as a high number of restaurants.

To this high number is added the required renovation and refurbishment processes. It is not specified the exact cyclicity, it depends on the room occupancy: when this indicator declines, it usually means that it is time to renovate. Renovating does not only refer to repairing and rearranging broken or

obsolete elements, it also involves upgrading into an upper category, allowing to increase the price per stay and, hence, the overall turnover. Although there is no specification about when to do it, there is an approximation of every six to seven years. Some experts also affirm it should be done every three years (Intersev, n.d.). Combining the number of hotels and the periodicity of renewal, this makes plenty of potential options to refurbish several firms thanks to the wide range of products that can be bought.

In order to have a more realistic point of view, different hotels have been visited and asked about their styling-preferences. For small and independent hotels, the main decision of buying or not a piece of furniture, or choosing a brand over another, is made by the owners or directors, which often are the same person, less often by an external firm in charge of the project. When it comes to larger corporations, such as hotel chains, it is mostly an external firm (interior designers, architects) who takes these kinds of decisions. Sometimes, this external firm also makes recommendations towards which brands should be chosen for the decoration. Usually there are several providers, even if one brand offers different product lines, they are often bought separately. This creates more possibilities for Signet to enter the Balearic market. Furthermore, directors and owners have expressed their satisfaction with the chosen furniture, but also their openness towards choosing different brands. Working with external firms offsets this decision to the designer. Some of specialised firms in the hotel sector were Marga Rotger and Plus Ocean, which would be a great establishing partnership to increase the demand.

Although there have been partnerships with restaurants, it is less usual, because Signet is not a restaurant-furniture producer. However, luxury restaurants may also be targeted. In Mallorca there are a few Michelin-Star restaurants, as well as other signature restaurants, some located inside hotels, such as Cap Roig (Jumeira Port de Sóller), Collins Restaurants (Portals Hills Boutique Hotel), 365 (Son Brull), de Tokio a Lima (Can Alomar) and Maricel Hospes by Maricel (ABC Mallorca, 2020). All of them would be suitable for a restaurant segment, whose main pieces could be a bench and specific chairs, not the usual restaurant furniture

Another remarkable aspect is the e-commerce, which shows similar behaviour in both countries. In the Spanish National Telecommunication and Informatic Services Observatory report 2019, the furniture sector is comprehended within "*household appliances, furniture, household, bricolage and garden*", accounting for 30,5% in 2019. Within this classification, men purchase more furniture online than women (32% to 28%) and the main age groups are between 35 to 44 and 65 to 74 years (Ontsi, 2020). As it is shown in the PWC report (2019), in Germany also only one customer among three (33%) prefers online shopping, rather than a conventional visit to a furniture store. More to this, when Signet's CEO talked about the retailers, these were almost completely physical stores, only 5% of their sales comes from the online version of these retailers.

In conclusion, the different segments increase the potential demand that can be found in Mallorca: residents, German residents and holiday homes, hotels and restaurants, which may be driven because of the sustainability or due to

functionality and quality. Signet's designs fulfil all of the requirements to become present in the Balearic market. The fact that many hotels work with different providers and also that they are ready to switch brands makes it easier to enter this market, as if there were only few dominant brands instead.

All of this leads to the following point: how are the products going to be made available for the targeted segments?

4.3 Product supply

In this part it will be outlined how the products can be made available for purchase. For the purpose of enlightening the micro-environment of the firm, some of the main competitors and their products will be analysed. This is important to determine the competitive advantage of Signet, so that, later, a strategy can be defined.

The first aspect to consider is that Signet is selling directly to its final customer through a showroom they have near the production facilities, making it possible to try out the different pieces. On a larger scale, it uses intermediaries (furniture-sellers) to reach their national and international clients, in stores and online platforms. This is also the strategy that is going to be used to enter the Balearic market.

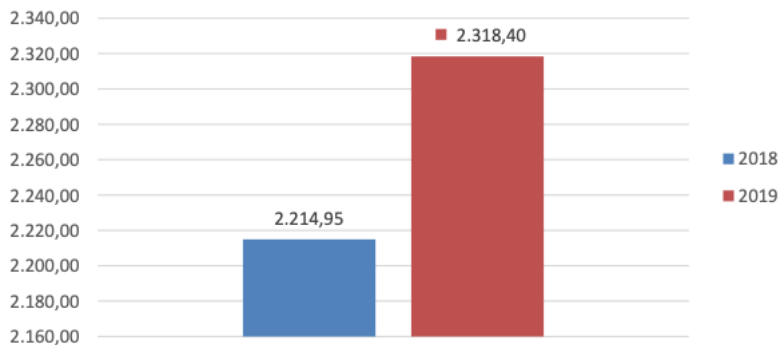
The fact that there will not be a showroom in Mallorca can be justified as follows: entering a new market always involves barriers of entry, which are high costs, the existence of powerful competitors, not being known in the destination, among others. Using intermediaries solves them. Firstly, because there will not be the costs of renting or buying commercial premises, neither the supply costs (electricity, water) and no cost of enlarging the workforce. In second place, selling through an established furniture store can make the clients familiar with the brand and eliminate advertising costs to attract attention to the facilities. Furthermore, when the seller shows the client the new pieces of Signet, not only are they getting to know the brand, also this reduces the power of the competitors.

In Mallorca, there are several furniture stores, from low cost to expensive products. As there are many other producer firms sold in Mallorca, there is going to be easy substitution and competition. However, not all retailers can be seen as competition, because not every brand they provide include the same characteristics in their products, which is what differentiates Signet. Knowing that there is a high number of hotels on the island and some very important brands worldwide, the business segment is also a big opportunity.

This leads to enumerate the competitors Signet is going to face, in order to have a good overview of the market. An important aspect is that there are only a few German companies who are present in stores on the island. This gives Signet an advantage in front of national competitors. However, there are many Spanish and Italian brands sold on Mallorca, as well as Belgian, Danish and Dutch companies, in lower volume.

The next graph illustrates how only in one year, the exports from Spain have grown a significant 4,7%, translated into more than 100 million euros:

Figure 2: Exports Spanish furniture (in thousands of euro)



Source: ESTACOM

Although in Mallorca are a few manufacturing firms, the main autonomous communities who lead the exports are Catalonia and Valencia. (Anieme, n.d.)

Some of the leading firms in Spain are:

Ecus: founded in 1975, it is from Murcia, although Murcia is the sixth leading region in terms of exports (Anieme, n.d.), this brand exports worldwide and sells both to particulars and to hotels, representing 65% and 35% respectively. They are mainly present in five-star hotels. They sell through resellers in 50 countries, including stores in Dubai, China and South Africa. Around 50% of their turnover comes from abroad. When it comes to sustainability, they obtained the ISO14001 in 2004. Thanks to this, it can be considered Signet's main competitor: it operates worldwide, they produce and commercialise the same range of products, only that's Ecus has a larger offer, there is already a partnership with numerous hotel companies and the production process is sustainable.

Pilma: this is a brand from Valencia, and it is focused on residential furniture and luxury hotels. Their first store opened 1974, but the brand already existed back in the 30's. They have several stores in Barcelona, Banús Port and Madrid. Nevertheless, they can also be found in other regions due to resellers, which is the case of Mallorca. Since 2010 they sell other brands in their shops, such as, Zeus and Kartell from Italy and the German brand Rimowa. It is also in the same year that they start to expand internationally. This company mainly operates in the Spanish market, which could be a reason to consider Pilma a huge competitor. However, this brand has not been awarded with sustainability indicators, leading to a position where it is less competitive regarding Signet, because consumers who care about this aspect, will choose Signet over Pilma.

Carre: the production takes place in Barcelona and exports worldwide. Their main activity is selling to other firms from the sanitary sector, hospitality, assistant and offices. They also provide furniture for the residential sector. The firm was founded in 1948 in Sant Cugat (Barcelona) and nowadays it is consolidated in 20 countries, which represent 80% of their turnover. Carre's main advantage is their international, instead of national, importance. This can lead to it not being such a

big competitor to Signet, not considering it a barrier of entry. Nevertheless, the company has gotten environmental awards, some of them are FSC and PEFC for responsible forest exploitation and the US Green Building Council due to water plant treatment.

Some other established firms in Mallorca are:

Tribù: this is a Belgian company who partners with different industries: hospitality, corporate, yachting and residential homes. Their pieces can be found in hotels in different continents and mainly four- and five-star hotels. The brand is sold through resellers in more than 70 countries. Tribù is specialized in outdoor furniture, but they do sell some indoor pieces. Although they assure responsiveness in terms of working conditions and trying to have 100% eco-friendly packaging, they do not have sustainability recognition. Hence, Signet has a competitive advantage.

Lago: this Italian brand sells through its own stores and multi-brand stores. Although this competitor sells to hotels, it is also very keen on store design, real estate, office and residential homes. It considers itself as a “no-firm”, defined as a familiar space, taking care of the employees and the environment. They have been awarded with the ISO14001 certificate and their production is “made in Italy” which means, everything they put into the production process comes from and is done in Italy. This makes Lago a great competitor in terms of “Made in” and sustainability. Moreover, they have a few more years of experience (the company was founded in 1976) and in 2006 it became a listed company who operates in 20 countries owning 900 stores worldwide. Lago is considered a competitor mainly because they have its own store in Palma and are very focused on sustainability and quality. Even though both firms share the same values, Lago is a much bigger and worldwide known.

Of course, there can be found a large number of other brands and furniture stores, but a lot of them do not target the same consumer segments as Signet does. They are either based on “low-cost” production and price, low quality, hence, the durability is limited, needing to be renewed every few years and they do not have quality or sustainability indicators, which is relevant for Signet’s market segment. They also do not target upper class customers and the chances of a foreign customer reaching out to a bigger furniture store are much higher.

In order to have a better understanding of furniture stores in Mallorca, several ones have been looked up to be aware of their dimension, target segment, existing brands and transport capacity. The four more relevant ones are described below.

Pòrtic Mobles is a store situated in Palma, at the Manacor Road. It has its own parking space, so that people have it much easier to visit the store. They have their own fleet of trucks to transport the goods. This is a potential supplier of Signet’s products, because the quality and price range of their existing products is similar to them, they sell more than 20 different brands, and belong to the same groups as La Oca and Outlet Hogar. Moreover, their main imports are from the north of Italy and the mainland (Barcelona and Valencia). None of the sold brands is from Germany, which would give Signet the role of the “first player” and become

an advantage. La Oca sells some furniture brands but it is more focused on decoration, lamps and rugs and other type of furniture (kitchen, bedroom) and Outlet Hogar sells brands from both of the stores. Furthermore, they work for hotels, bars, restaurants and residential purposes, which could involve new partnerships where Signet is part of their project. For these reasons, establishing Pòrtic Mobles as the main supplier would definitely be a positive decision.

Màxim Confort is located in the industrial site Son Valentí. This makes it accessible and easy-to-park. It offers a small variety of around ten brands, generally from Italy and none from Germany, which would be considered a positive aspect about the store. Moreover, they principles of innovation, trends, quality and reliability match Signet's tendence to innovate and high-quality furniture. A negative aspect is that they do not work with other business sectors.

The following two stores are located in Palma, which makes it more difficult to access them, considering parking in the city centre.

Decagono Muebles can be found in the street Andrea Doria, in the Son Armadams neighbourhood. Although on their website they do not show projects they have been part of, some hotel directors told they work with them, mainly for the outdoor furniture, using the Belgian brand Tribù. They sell more than 80 different providers, however, a big part of them are lamp- and lightning-firms. The supply is generally from Italy, but it is to highlight that this store sells three different German brands. This can be considered a positive aspect, but also a negative side: in this case Signet would not be the only one from Germany, but they could be compared and eventually be considered the better option.

The why factory is located in Santa Catalina, a neighbourhood full of foreign residents, which may a positive aspect, in addition, there is a public parking really close to it. They sell two German brands and many Spanish and Danish ones. Although they do not provide evidence of projects they have been part of, they define themselves as "not another furniture store" and "their showroom is thought as a work atmosphere for professionals to choose the perfect piece of furniture for their clients". This may be what Signet looks for, establishing contact with professionals in Mallorca, moreover, the showroom also attracts many non-professionals. Another remarkable aspect can be the language: their website already incorporates the possibility to translate into German, which Decagono Muebles and Màxim Confort did not provide.

To conclude, the two better options are establishing a partnership with Pòrtic Mobles and The Why Factory. The main reasons are:

1. The strategic location of the stores
2. The variety of brands and possibility for Signet to stand out
3. The webpage is in German
4. Pòrtic Mobles has their own transport fleet
5. Their clients are individuals and businesses
6. They are involved in professional projects

Comparative advantages

After studying some of Signet's competitors in the Balearic market and how they behave internationally and in partnerships with hotels, some advantages can be pointed out.

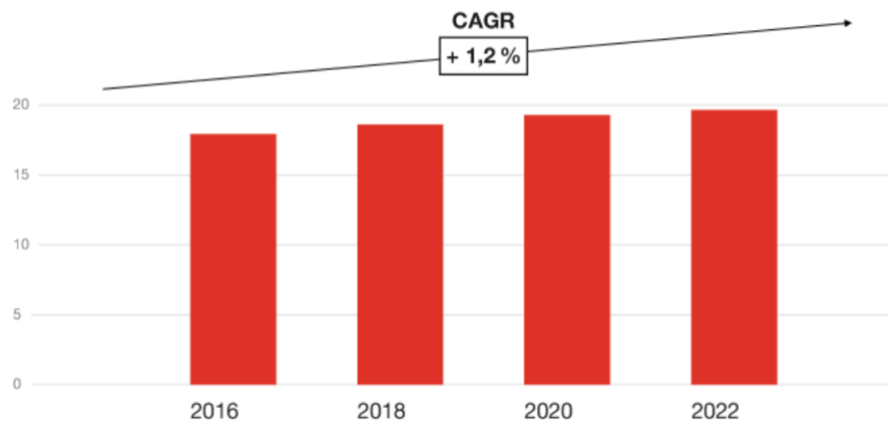
- 1. Quality:** Signet is known for their long-lasting products, not only the supporting frame, which is made of wood or metal, but also the softness of the used fabrics and high-quality leather. In order to ensure long-lasting pieces, they sell products according to the leather type or fabric so that it can be cleaned properly and taken care easily (Moebelpflegeshop.de). Since 2008 Signet is part of the DGM (German Association of Quality Furniture) who awarded to firm with the "Golden M". This indicator grants highest recognition in Germany. In order to obtain this distinction, some very demanding quality, environmental and emission standards need to be fulfilled. It guarantees safety, quality and healthy living. The criteria that have to be covered is precisely established indicating what the piece of furniture has to withstand, how it has to be processed, how the determining tests have to take place in the laboratory and which results are good enough to be awarded with the "Golden M". Nowadays, there are 80 producer firms who have obtained this certificate (DGM, n.d.).
- 2. Sustainability:** The production process uses green energy from solar panels and rollers thanks to the sloping terrain on which the firm was built. This leads to very low emissions, thanks to which they have been awarded with the "Golden M", because not only quality needs to be met, also environmental and emission standards (DGM, n.d.).
- 3. "Made in":** Signet has also two certificates of "Made in Germany", one for the beds and one for home furnishing. This shows that every part of the piece of furniture comes from Germany: the fabric and the leather, are obtained nationally and the wood they use for the supporting frames comes from responsible forestry activities. Also, the fabrics are cut manually and sewn with conventional sewing machines. This makes the furniture "handmade" (DGM, n.d.).
- 4. Awards:** Signet took part in different fairs and awards and in the last year it has received The Iconic Awards 2020 prize for their armchair "Lenni" due to the design and comfort, which also got nominated for the Iconic Awards 2021. In the same year, at the IMM Cologne 2020, their sofa "Chimba" was a complete success thanks to the functionality and high-quality fabric or leather cover.

4.4 Quantification of the main market

Germany is the European leader in terms of furniture production. Concerning the worldwide production, it is only preceded by China (Welt Exporte, 2021). According to the PWC report "Market highlights in the furniture branch, 2019", Germany had a turnover linked to production of 23,7 Billion euro, followed by Italy, with a turnover of 22,2 Billion euro and Poland, who only generated 10,9

Billion euro in 2017. Although that is the latest data available, it is to highlight a slow but sustained growth from year to year, around 1,2% (PwC, 2019).

Figure 3: Growth in the German furniture industry



Source: PWC

The market is shared among a large number of firms that have a yearly turnover of 500.000 euro and big firms who reach 100 Million euros. These last firms represent less than 1% of the market, however they produce more than a third of the total outcome (36%) of the market (PWC, 2019). It is to highlight, that since 1992, the number of furniture producers has been decreased in almost 32%, however, there has been a growth of 7,2%, leading to a situation where less firms create a positive bigger outcome (Ambista, 2019).

Nevertheless, the manufacturing outcome is mainly kept inside German borders, around 68%. Only little less than a third is exported. Remarkably, in the sixties the export into foreign markets only represented two percent. (Ambista, 2019) This fact may be linked to the division of Germany into the east and west block, meaning that there was only trade permission for the western part, which also was the larger part and included Bavaria. Another reason for which the export figures may seem low is because the products are often expensive and responsively made or completely produced in Germany. This causes higher costs for the firm (salaries in Germany are much higher than in other countries used for low-cost workforce) and leads to the addressing of high-priced segments (PWC, 2019). In 2018 the export percentage reached 32,4, meaning that since 2000 there has been a huge growth from 16,3%, in less than 20 years the amount has been doubled. (VDM, n.d.)

The main regions to which Germany exports this type of products is Europe and also from which it mainly imports. The image below shows in yellow the Billion euros of exports from Germany and in grey the imports. It is shown that after the European market, their main partner is Asia. To the US there is an export relationship of 0,6 Billion export to 0,1 Billion import. Africa and Australia share the same values: 0,1 Billion euros export.

Image 2: World exports and imports



Source: PWC

Inside Europe, member-countries of the European Union are the main importers, overpassing 70% of all exports from Germany. The rest of the exports are to European countries (13,3%), Asia (8,3%) and North America (5,3%). Both North America and Asia experienced a moderate growth, however due to the unstable trade environment, this tendency has been reduced drastically. Moreover, linked to the Brexit and the uncertainty, exports to Great Britain have been reduced in more than five percent (VDM, n.d.). The main countries are listed below, in terms of export turnover and growth. Although Spain is on the last place, it is the second largest country in growth: 5,7%, only after France (6,6%) and before Poland (5%). As well as Great Britain, Switzerland also experienced a negative growth, although it was less than a half.

Image 3: German furniture exports Jan - Dec 2018 (top 10)



Source: VDM

According to the “World Market overview 2020-2022” by CSIL, international trade in the furniture sector in 2019 represented 1% of the total international trade. Moreover, it has grown more rapidly than the production, accounting for 126 Billion euros (converted 150 Billion USD at 1 USD to 0,84 EUR on the 19th of March) (Mueble de España, 2020).

Overall, Spain has a negative trade balance in terms of furniture. During 2019 they exports grew 4,7% to the previous year, reaching 2,3 Billion euro. So did the imports, but more moderately, accounting for 3,1 Billion euros, reaching an import growth of 3,4% to the year before. This created a negative difference of more than 800 Million euro, as well as a coverage ratio of 72% (Mueble de España, 2020). The main import partners, provided by Estacom, are China, Portugal,

Germany and Italy (Interempresas, 2020). Portugal is the closest country to Spain, making trade among them very simple. China is the world leader, unsurprisingly: the production is much cheaper, workforce earn low salaries, and this leads to lower prices, thus people in the lower-middle and lower class are bound to low-cost furniture. The presence of German brands in stores in Mallorca is relatively low compared to Italian brands. From this it is to expect that there are more commercial exchanges on the mainland. Therefore, increasing the number of German furniture producers on the island is not only going to push Germans' exports, enlarging the difference between both exporters and gaining market share, it will also fulfil Signet's purpose of becoming placed in the Balearic market.

Table 7: Ranking furniture import countries in Spain (in thousands of €)

	2018	2019	% 19/18
China	652.602,0	737.409,0	13,0%
Portugal	373.084,1	386.428,2	3,6%
Germany	350.845,8	345.924,5	-1,4%
Italy	249.431,8	262.751,6	5,3%
Poland	212.501,0	231.338,7	8,9%
Morocco	207.490,7	229.338,5	10,5%
France	198.035,7	189.568,0	-4,3%
Romania	76.037,6	74.433,1	-2,1%
Hungary	60.697,9	68.052,1	12,1%
Slovakia	71.999,2	61.817,6	-14,1%

Source: Estacom (Interempresas)

As it shown on the table, China is the highest ranked partner, whose share is 23,2% of the total. "It is to remark the reactivation in Spanish imports from Germany and Italy, indicating that not all furniture comes from low-cost production countries" (Interempresas, 2020). Nevertheless, the European Union represents almost 50% of the imports, whose most representative countries are Portugal, Germany, Italy, Poland and France, surpassing the world leader, China (Smart Lightning, 2019).

5. Action Plan

5.1 SWOT

The SWOT analysis gives an overview about the internal and external factors a company has, focusing on their key strengths and their weak points. S is for strength, the internal characteristics of the brand. W, for weaknesses, explains the internal disadvantages a company has. O, opportunities, relates to the external factors that may lead to a company's growth. Finally, T is for threats, which are the external challenges the brand is going to face. Followingly, the SWOT table enumerates aspects related to each category.

Table 8: SWOT analysis

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none"> - Product quality - Sustainability - Germany is the first exporter in Europe - Positive turnover evolution - Sustained growth of the firm - Awards and indicators (Golden M and “Made in Germany”) 	<ul style="list-style-type: none"> - Unknown in Spain - Might be considered expensive - Long production - Slow transport
OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> - Wide business sector - Expand from Mallorca to other cities - Increase online sales 	<ul style="list-style-type: none"> - Powerful competitors - Increasing exports from cheaper countries - Low- cost production countries

Source: own elaboration

5.2 VMOSA

The abbreviation VMOSA means “Vision, Mission, Objectives, Strategies and Action Plan” and it indicates the main principles of the firm and what it wants to accomplish, as well as the actions that will take place in order to so.

Vision: “Bewegende Formen” which, translated from German, means “touching shapes”. It is a simple vision but can be interpreted in two ways. In German, touching or moving, apart from the literal definition, means that something is powerful to you. Moreover, on their webpage, there are several appearances of different words for “form” linked to their design based on functionality. This is the second interpretation: shapes that move, because some pieces can be transformed from a sofa into a bed or an armchair.

Mission: manufacture and commercialise qualitative and functional furniture responsibly produced concerning the environment, workers and materials.

Objectives: in the following section different objectives are going to be numerated. In combination to each objective, the planed strategy will be explained.

Objective 1. Expand internationally

Objective 2. Make the product available

Objective 2. Become known among other businesses

Objectives 1 and 2 are related because in order to make the product available in another country, there has to be an international expansion.

Objective 1. Expanding their commercial activity to more countries is a current objective. As they are already selling to other countries in Europe, they have

expressed their wish to introduce the brand into the Spanish market. However, entering it while remaining unknown may be a wrong decision. For this reason, the Spanish market has been divided into regions and the first one to conquer is the Balearic market. Mallorca is the biggest island in the Balearic archipelago and Palma its capital, where the main port is located and close to it is the access to the “via de cintura”, it is most likely a highway. This makes transporting the goods an easy procedure.

Since both interested parties belong to the EEA, among other economic institutions, the only required document will be the commercial invoice. Thus, the exchange of goods will be simple and fast, cutting out long bureaucratic proceeding.

After analysing the geographical distance and making a decision about not having a showroom or owned store facilities, the transport method could be decided. The usual process involves a truck from Signet’s facilities to be loaded at the firm and travel its way to the destination, which is either a store or a port. For this reason, the transport is going to be, as long as possible, by truck on roads, and, due to the characteristics of Mallorca, also by ship. Usually, the cost of shipment is included in the final price, reaching either the client or the departure port. Sometimes the client (in this case a store) owns a container, leading to two options. The first one is to buy the amount of furniture to fill the whole container and then shipping it. Secondly, he can wait until the container is full (with different kinds of products, not necessarily all from the same provider) and proceed to shipment. However, sometimes it is also Signet who is in charge of providing a container, in case the client formally asks for it.

This decision has been taken considering the extra costs a cargo flight would mean and how that would affect to the final price. Moreover, the transport time is relatively low compared to the production process, which takes around 7 weeks, while transport usually takes only 2. Considering the established route based on the geographical distance, it would take a total of 23 hours, excluding stops, which could lead to two to three days at the fastest. The company does not want to increase the price due to a more expensive transport. Although this mean of shipment would be faster, that is not a feature many customers consider very important, unless in special situation, because they know that every piece is being handmade and that it takes some time to have the optimal outcome produced and shipped.

Objective 2. In order to make the product available, a partnership among Signet and Spanish firms has to be established. As it has been analysed in the product supply part, there are two stores that have the main features Signet is looking for in a business partner. First contact between two firms usually happens at a fair where they are either exposers or attendees. In this case, it will be taken into consideration that the two firms have gotten in contact during a leisure Mallorca-trip by the owner, who reckoned the island had the right qualities, such as several furniture stores, a lot of German residents, many vacation-properties and a very high number of hospitality enterprises. Afterwards, they will keep in touch via email and phone.

Once this step has been made, it can be proceeded to create a route to bring the products from Germany to Mallorca. The third objective contains further explanations about the contacting phase.

Coming back to the export procedure, the International Commercial Terms (INCOTERMS) help explaining it. These terms define where and when the seller transfers the responsibility of the goods (including risks of damage or loss) to the buyer. Overall, Signet's exports include shared costs with the client and usually it is the client who books a container. The used incoterm is Free on Board (FOB), which means that Signet is responsible during placing the goods into a truck, filling the container and loading it onto the ship. Once the container has been loaded, the importing company will be in charge of the container, starting by the stowing of the goods. The client only has to pay for the goods to be shipped to Mallorca and brought to the store or storage (Thompson, 2018). Probably, after this process, the store is going to increase the price per piece and "include transport costs" to the final acquirer.

Transporting the good from Signet to the Spanish firm involves using their own trucks from Hochstadt to a city on the mainland, from where the partner store imports from. There are many brands imported from Barcelona and Valencia. Probably, the best option is to choose Barcelona, because the distance is a little less on road transport and it takes less time by ship. Once arrived at the mainland, it is going to place the goods inside the container and then onto a big ship. Until this placement, Signet is responsible for the wellbeing of the products. From that moment on, Pòrtic Mobles or The Why Factory are going to be in charge of the transport to Palma's port, where a new truck is waiting for them. Pòrtic Mobles has their own trucks, which makes the process a little easier. When the destination is The Why Factory, an external firm will have to bring the goods from the port to the store.

Not only placing the pieces in the selected stores is necessary: there are other aspects, such as the translation of the website into Spanish, as well as the catalogue and the instructions for every furniture piece, which is mandatory in Spain.

Objective 3. For the purpose of becoming known among other business, mainly in the hospitality sector, the right partners need to be contacted. These include stores who sell to the targeted group and interior design studios. As it has been analysed in the product supply part, there are two stores that work well with other professionals. Firstly, these stores need to be contacted and become partners (*objective 2*). The second option is to contact design studios in order to get them to know the brand and become familiar with the products. Contact can be established in many ways. The optimal would be at a fair attended by both parties, for example, the IMM Cologne. It could be done by inviting them to visit the stand and trying out the different exposed products, giving them a catalogue and eventually flying to Mallorca in order to show interest in meeting them. Another possibility is to contact the firm without previously knowing them. The better approach is to call the design studio to get in touch and, after, sending them the

catalogue and calling again asking if they have received it. This can also be done by mail; however, marketing mails are likely not to be read and, hence, useless.

Two of the most relevant fairs at European level are IMM Cologne (Germany) and Salone del Mobile Milano (Italy). The IMM Cologne 2021 has not been celebrated, but usually takes place in January, therefore, it will be from the 19th to the 23rd of January in 2022 (Cocina Integral, 2020). Nevertheless, the Italian fair will take place in September, from the 5th to the 10th (Salone del Mobile). Signet attended the German fair at its last edition, while the Italian fair remains unknown for the firm. Moreover, it is more costly and focused more internationally. Since the attendance as an exhibitor is most unlikely to happen, this leads to the following idea. In order to meet personally and be able to show them the products and its process properly, Signet is going to invite the main executive members of the two selling companies and one design studio to Germany. This will be specified in the Return on Investment and at the Gantt Chart.

Another way of becoming known among other companies (hotels, bars, design studios) is to create a partnership with a hotel. This could be a German contact inside a firm or friends with someone who owns or directs a company in Mallorca. Although this type of partnership is non-professional and happens by chance, it is not less realistic, and it would be a good start for Signet in the Balearic market.

As it is shown in “Opportunities”, Signet could expand from Mallorca to other regions. To do so, when a hotel uses Signet furniture, it could lead to different hotels withing the same chain using them or different hotels who buy at the same retailer or interior designer.

5.3 Gantt chart

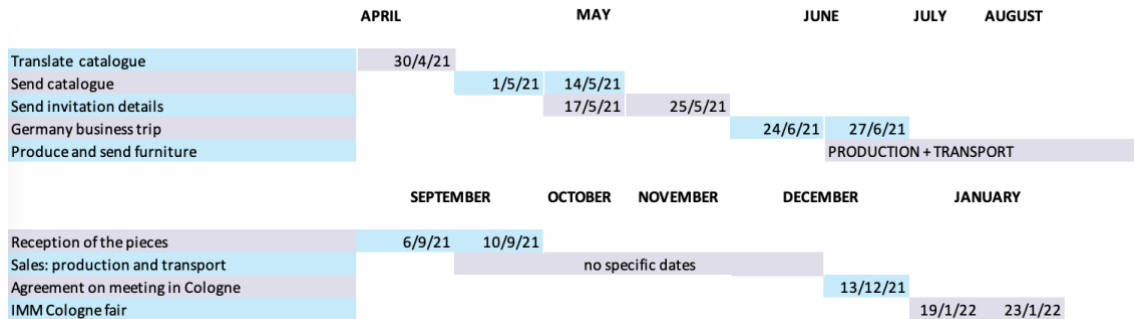
The following tool shows the estimated time and period each of the described actions will take place. It is mainly used in management in order to have all actions at once, as well as the important dates and how long it takes to complete each activity.

As the first contact has already been established during the CEO’s visit to the island, this step will not be included in the chart. As it is shown on the next graph, Signet is staying in touch with the firms and the new catalogue (published in April 2021) needs to be translated into Spanish during the month of May and sent to the companies. After, the invitation to their facilities is made and accepted. The Balearic employees are supposed to fly at the end of June. That should be a great date to have a little trip within the region of the firm and show them the production facilities, explain them each part of the process and take them to the showroom to see, touch and try the different pieces.

The following step would be starting the production of the selected items, which takes around seven to eight weeks, and shipping them after. Considering the holidays of each firm, the products are more likely to arrive in September. The contact between Signet and its partners will continue and once sales take place, each product will be made and shipped taking a similar time period. This is

supposed to happen during the following months. In December, they will agree on meeting at the IMM Cologne fair as business partners.

Image 4: Gantt chart export project 2021 - 2022



Source: own elaboration

6. Return on Investment

The ROI (Return on Investment) shows how much profit or loss has occurred related to the investment. Therefore, the net profits need to be computed by deducting the costs from the earnings and divide it into the investment (Custódio, 2018).

In this case the investment would include the following:

- Cost of production
- Cost of transport
- Language requirements costs
- Business trip

Regarding the production costs, it depends mainly on the upholstery and the materials. According to the CEO, on average, a small sofa is sold to the intermediary for around 800 euros and a big one for 2000, chairs are much cheaper to produce, covering every aspect and allowing a profit margin of 10%. Therefore, for computing purposes, the estimated costs are going to be 1000 per piece. The number of pieces is going to be low, because the Spanish firms first need to see whether placing them at the stores awakes buyers' attention. Under the supposition that it is successful, if each partner for the first time buys a few pieces to exhibit them at the store, this would make up 9.000 euros (nine pieces). From this, not only 900 would be net profit, also the entrance in a foreign country is a great achievement, which will increase profits in the future.

Related to the cost of transport there are two options. The first one is to use an external firm which charges around 270 euros for the transport of one sofa (Eurosender, n.d.). The other option is to use Signets trucks, where the estimated costs are one euro per kilometer, making it 1515 + road fees until Barcelona's port. Nevertheless, the truck has to return to Germany, paying the road fees, but it will be cheaper since it is empty. The shipment to Mallorca is paid by the importer. For the investment, the external firm will be used. Occasionally if the sales suppose a low number of pieces, this method will be used as well. However,

it is expected to sell enough to fill a truck and use their own fleet. The costs result in 2430 euros.

Concerning the language requirements, the commercial invoice needs to be in Spanish, also the catalogue and the instructions. Moreover, during the contact per mail or phone, a digital flyer in Spanish would be a good idea and translating the website (which is only in German at the moment). According to the firm, it would lead to an amount close to 10.000 euros.

The business trip concerns Signet's invitation to the Spanish firms to come to Germany and the expenditure for their stay at a hotel, trips inside the region, different activities and a special dinner. Here, the first trip of the CEO is not taken into account, because it was a leisure trip. If there were any other trips to Mallorca concerning this project, it would be computed for the investment. The costs, according to the CEO, are around 2000 euros per participant. Estimating that there are between four and six people taking part in the trip, this makes between 8.000 and 12.000 euro. This procedure is not the usual one when it comes to establishing partnerships, because many brands prefer attending fair in order to attract more stores. But it is considered successful in this kind of projects.

One aspect that has made the investment much easier and not as expensive as thought is the decision not to attend the Salone del Mobile, saving a lot of money. At such a big fair, usually, the objective is to establish contact with more brands and in more countries. Since it is a really expensive experience, the business trip seems to be a better option and it focuses only on Signet. There will not be other brands *competing* for the attention of new partners.

Image 5: ROI computation

INVESTMENT											
Store	Pieces	costs	1000	Transport	270	Language	Business trip	2000	TOTAL		
The why Factory	3	3000			810		1	2000			
Portic Mobles	4	4000			1080		2	4000			
Design studio	2	2000			540		2	4000			
TOTAL	9	9000			2430	10000	5	10000	31430		
RETURN											
Profit		10%	900						TOTAL		
Estimated sales first year of partnership	550		55000						55900		
		$\frac{(\text{RETURN} - \text{INVESTMENT}) (\$)}{\text{INVESTMENT} (\$)} \times 100\%$		<table border="1"> <tr> <td>TOTAL ROI</td> <td>0,7785555</td> <td>78%</td> </tr> </table>		TOTAL ROI	0,7785555	78%			
TOTAL ROI	0,7785555	78%									

Source: Own elaboration

The table shows the calculations. The total investment comprises the previously listed costs, amounting an investment of 31.430 euros. The estimated sales for the first year are 550 pieces. This makes an average of 45 pieces per month, by three partners, around 15 per each, leading to a return of 55.900 euros. This makes a return on the investment of 78%. Furthermore, it is to expect a growth in exports, once the investment has been completed.

V. Conclusion

As a result, from the previous research, a positive outcome is obtained. After explaining the company and its wish to expand their exports, as well as analysing the potential demand, the target market segment could be established. Further microeconomic aspects, together with the macroeconomic indicators made possible comparing and establishing a connection between Germany and Spain. Although these countries seem to have a well historical relation, there are some differences in terms of population, religion, economic distribution and work environment which influence the distance among both.

Concerning the microeconomic features, there are several similarities among the regulations and laws concerning this export project. This is thanks to the belonging of both countries to the EU and the EEA. The potential demand are businesses and upper-middle class residents and holiday homeowners who care about sustainable production and high-quality furniture who have the required acquisition power and are willing to pay a higher price. About the supply, Pòrtic Mobles and The Why Factory seem to have the relevant characteristics to create a partnership with, due to their location and project experience. The micro analysis concludes with numbers and figures in terms of production, world exports and leaders in the furniture industry.

The most important part concerning this essay is the fifth section, where the SWOT analysis shows their opportunities and weaknesses and thereupon the action plan is established, detailing different objectives and the estimated time and period for each numerated activity using the Gantt chart.

Finally, the return on investment shows a successful project. The closer to 100% the better the ROI, because this means the investment is profitable (Dandy del Valle, 2020). Overall, not only the 78% of return are obtained, also a partnership in a foreign market. This is a remarkable aspect because it can lead to more business opportunities in the future and increase their percentage of exports on turnover, fulfilling Signet's objective of commercial expansion.

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