CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN THE EU

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CONTENTS

This survey was compiled for CBI by ***Searce***

Report summary

This survey profiles the EU market for domestic or household furniture both in finished and semi-finished form. The items covered are made of wood, metal, iron, plastic/synthetic material, glass, cane, osier, bamboo, other materials or a combination of different materials.

Consumption
The EU is the largest furniture market in the world, followed at a distance by the USA (€ 65.7 billion). Total EU27 furniture consumption was estimated at € 81.6 billion in 2006. The average consumption per capita was € 166, with people in Sweden, Austria, Finland, Germany and the Netherlands spending most on furniture. Consumption has slowly started to increase again after the recession that affected much of Europe earlier this decade. An average annual increase in consumption of 1.5% between 2002 and 2006, from € 76.8 billion, includes falls in some of the more mature markets, but significant increases in some other countries, particularly new member states. The rising number of new dwellings and a growing middle class, especially in the eastern EU countries, has stimulated furniture sales.
Consumption of home cinema has turned the living rooms into an entertaining and relaxing place coupled with new comfortable furniture e.g. upholstered seating, open shelve systems etc..There was also greater interest in home improvement and interior design of which large retailers such as IKEA have benefitted. Future value sales will be mainly driven by:

- Continued consumer confidence and more innovation in furniture.
- A continued growing interest in modern, contemporary style furniture of a good design and at affordable prices.
- The impact of fashion in interior design coupled with frequent replacement of furniture.
- Multi-functional furniture items for small rooms, home office and for children's rooms.
- Small and practical furniture focussed on singles and on young people living at home.
- The major migration trends within the EU and from outside the EU.

Production
In 2006, the turnover of 112,000 EU27 furniture manufacturers was valued at an estimated € 77.3 billion, of which an estimated 77% was wooden furniture. Between 2002 and 2006, EU furniture production increased by 1.8% per annum, with decreases in some EU15 countries such as France, Italy, Belgium and Portugal but strong increases in a number of the new member states.
Much EU production has been outsourced to other member states in Eastern Europe, as well as to other countries, particularly in Asia, but Europe still accounts for 40% of global production. Employment in the industry continues to fall, despite increases in production values. This is as a result of improving competitiveness due to new technologies being introduced.
Upholstered furniture is the largest product group in terms of production. The leading producer countries are Italy, the UK and more recently Poland. Some major trends in EU production were:

- Increasing focus on design.
- Retailers who increasingly have more influence over EU manufacturers.
- Continuing relocation of production to countries in the Balkan region and to Asia (China).
- Drives to greater efficiencies.
- Specialisation into clusters of experts.
- Pioneering the importance of sustainably sourced materials.

Trade channels
Most furniture is supplied from manufacturers through importers/wholesalers or directly purchased by the large retailers. In 2006, there were approximately 130,000 furniture retail outlets in the EU, with around 480,000 employees. Furniture retailing has become more diversified with many types of outlets, varying from those stocking a special style of furniture to those carrying a wide range of products with related accessories.
Specialist furniture retailers represent 80% of total EU furniture sales. Small furniture shops are still strongly represented in Italy, Spain and the new member states, whereas franchised, chain stores and buying groups are dominant in France, Germany, the United Kingdom and The Netherlands.

Distribution is continuing to fragment, with a greater share increasingly being taken by non-specialists e.g. DIY stores, hypermarkets and department stores. In addition, the Internet is starting to become more influential in purchasing decisions. There is already much downward price pressure on furniture retailers, and this trend further accentuates this situation.

Imports

The EU accounts for over half of global domestic furniture imports, or 11.5 million tonnes valued at € 32.2 billion. Germany was the largest EU importing country and represented 21.6% of all EU imports by value (20.3% by volume). Between 2002 and 2006, EU27 domestic furniture imports increased by an average 6.3% in value and 9% in volume. Of the leading countries, only Austria, The Netherlands, Germany and Belgium were well below the average. The UK and Sweden were also below average.
Furniture parts, valued at € 10.4 billion, was the largest group of imports by value. *Other furniture* was the largest product group by volume, but next largest by value. It grew from € 4.4 to € 6.1 billion between 2002 and 2006. Upholstered seating was the next largest group, valued at € 5.1 billion. These three groups represented over two thirds of all imports.
In 2006, 67.6% of EU imports came from other EU countries. The leading supplier to the EU was Germany (12.6%), closely followed by Italy and Poland. Extra-EU (excluding developing) countries reduced their exports to the EU by an annual average of 20% over the period and accounted for just 7% of furniture supplies to the EU in 2006. This was partly explained by new countries joining the EU.

In 2006, EU furniture imports from developing countries were 3.3 million tonnes, worth € 7.8 billion. Between 2002 and 2006, the share from developing countries in total EU furniture imports rose from 20 to 28% in volume and from 17 to 24% in value. Two thirds of rattan imports came from developing countries, and more than half of all non-upholstered seating. The significance of China continues to grow. In 2006, it accounted for € 3.8 billion of imports (11.8% of all imports and 48.6% of developing country imports by value), up by an annual average 29% from € 1.4 billion in 2002. In volume terms, it represented 15% of all imports or 1.7 million tonnes (52% of developing country imports), up by a similar proportion from 610 thousand tonnes in 2002.

Exports

Between 2002 and 2006, EU exports increased by an annual average of 2.7 in value from € 31 to 34.6 billion and by 5.3% in volume from 8.6 to 10.6 million tonnes. Much of this was due to significant increases particularly by the Czech Republic, Poland and Slovakia.
Italy was the largest exporter, accounting for 22.7% of all EU exports. Three quarters of exports were intra-EU exports. Germany received over a quarter of these exports. The USA, Switzerland and Russia were the largest recipients outside of the EU. *Furniture parts* was clearly the largest product group, representing € 11 billion, or 32% of all exports by value in 2006, followed by other furniture exports.

Opportunities for exporters from developing countries

Changes in consumption patterns for furniture offer opportunities. The market for self-assembly furniture is growing in certain segments, but exporters also need to ensure that designs are innovative and take note of fashion changes in furniture. The increase in smaller homes is also an opportunity for DC exporters. The demand for smaller-sized furniture items also encourages good value products to be shipped from overseas.

Solid woods are becoming more popular instead of veneers and laminates. Importers are looking for new types of solid wood, similar to light oak, cherry or darker woods.
Also *bamboo* has become a popular material e.g. in *Eco-design furniture*, because bamboo grows fast. Bamboo is sometimes combined with polystyrene and aluminium that can be recycled. There will be a good opportunity for such Eco-design furniture concepts.
In contemporary or new rustic furniture styles, it is important that the item conveys its authenticity in order to stay special or ‘unique’, by special woods, materials, designs, skills in terms of craftsmanship or in finish.

Introduction

This CBI market survey profiles the domestic furniture market in the EU. The emphasis of this survey lies on those products, which are of importance to developing country suppliers. The role of and opportunities for developing countries are highlighted.

This market survey discusses the following product groups:
- Upholstered seating
- Non-upholstered seating
- Dining and living room furniture
- Kitchen furniture
- Bedroom furniture
- Home office furniture
- Other furniture
- Furniture parts

For detailed information on the selected product groups please consult appendix A. More information about the EU can be found in appendix B.

CBI market surveys covering the market in specific EU member states, specific product (group)s or documents on market access requirements can be downloaded from the CBI website. For information on how to make optimal use of the CBI market surveys and other CBI market information, please consult 'From survey to success - export guidelines'. All information can be downloaded from http://www.cbi.eu/marketinfo Go to 'Search CBI database' and select your market sector and the EU.

1 Consumption

1.1 Market size

In 2006, global furniture sales were estimated at € 223 billion, and were led by the EU (€ 81.6 billion), USA (€ 65.7 billion), Asia-Pacific (including China - € 28.2 billion), Japan (€ 8.9 billion), Africa/Middle East (€ 16.5 billion), Latin America (€ 14.8 billion) and Australia (€ 7.3 billion). Global consumption has increased rapidly since 2000, with according to Euromonitor the highest growth rates in Asia-Pacific, especially in China and India, as well as in the eastern EU countries driven by a smaller households, urbanisation and an increased consumer confidence. Whereas in the EU15, USA, Australia and Japan the ageing population, the blurring of traditional gender roles, increased interest in home improvement were the long term driving forces for furniture sales.

Table 1.1 EU consumption of domestic furniture 2002-2006, € million

	2002	2004	2006	Average annual % change	Population (million)	Consumption per capita €	Households (000's)
Total EU	**76,859**	**78,688**	**81,668**	**1.5**	**492.8**	**166**	**206,303**
Germany	18,875	18,396	18,863	0.01	82.4	229	39,122
Italy	12,072	12,332	12,548	0.9	58.5	213	26,400
United Kingdom	9,701	10,079	10,355	1.6	60.2	172	26,750
France	8,497	8,664	9,016	1.5	62.8	144	27,045
Spain	6,980	7,410	7,883	3.1	44.1	179	15,600
Netherlands	3,719	3,502	3,706	-0.01	16.3	227	7,091
Sweden	2,691	2,794	3,050	3.2	9.1	335	4,279
Poland	2,180	2,627	2,524	3.7	38.1	66	13,865
Belgium	2,248	2,176	2,221	-0.03	10.5	212	4,502
Austria	2,165	2,172	2,206	0.4	8.2	269	3,410
Portugal	1,260	1,420	1,484	4.1	10.6	140	3,730
Finland	1,201	1,237	1,331	2.6	5.3	251	2,452
Greece	936	1,094	1,229	7.0	11.1	110	3,800
Denmark	1,090	1,085	1,118	0.6	5.4	207	2,548
Ireland	700	767	876	5.7	4.2	208	1,430
Romania	585	684	792	7.9	21.7	36	6,820
Czech Republic	448	485	523	3.9	10.3	51	4,574
Hungary	231	322	373	12.7	10.1	37	4,260
Bulgaria	287	331	371	6.6	7.7	48	2,360
Lithuania	203	228	242	4.5	3.4	71	1,320
Slovenia	198	214	241	4.8	2.0	119	750
Slovakia	172	213	239	8.6	5.4	44	2,045
Latvia	120	134	142	4.3	2.3	62	930
Luxembourg	112	108	111	-0.02	0.5	222	195
Estonia	80	86	92	3.6	1.4	65	627
Cyprus	63	69	74	4.1	0.8	93	250
Malta	45	59	58	6.5	0.4	145	148

Source: National Trade Associations, Euromonitor, Ipéa, Regioplan, Trade estimates (2007)

Being the world's largest furniture market, EU consumers spent € 81,668 million at retail prices in 2006. With a population of 492.8 million, the consumption per capita in the EU averaged around € 166. This was much higher in Sweden, Austria, Finland, Germany and the Netherlands, partly due to smaller households, which have a greater demand for furniture as this results in a greater number of homes. Most of the eastern EU countries had a much lower per capita consumption - between € 36 to 71 - which illustrates the large differences within the EU.

The rising number of new dwellings and a growing middle class, especially in the eastern EU countries, has stimulated furniture sales. Whereas in most of the EU15 countries, furniture consumption was affected by the economic recession be between 2002 and 2004, a slump in the housing market, a low consumer confidence and by the Euro. Consumers tended to postpone furniture purchases due to uncertain economic times. There has been a greater variety of cheap imported furniture from Asia, especially during the recession.

However, as the EU economy started to grow since 2004/2005, consumer confidence in all EU countries has increased. Consumption of multimedia centres and electronics, including home cinema has been high in all countries. The living room was turned into an entertaining and relaxing place for the whole family. This new environment needed comfortable and matching furniture e.g. upholstered seating, open shelve systems etc..
Furniture consumption was also stimulated by a greater interest in home improvement and interior design, especially by women. Large retailers such as IKEA have expanded rapidly in both EU15 and in the new EU countries with rising disposable incomes.
These developments have been the main drivers of EU furniture sales, which increased by an average annual rate of 1.5%, from € 76,859 to 81,886 million, between 2002 and 2006.

The EU furniture market is dominated by five countries, which accounted for 72% of total EU consumption by value in 2006. These markets were Germany (23%), Italy (15%), United Kingdom (13%), France (11%) and Spain (10%). Spain, Greece, Portugal, Scandinavian and the new EU member states, experienced the largest increases. While the recession, price wars restrained the value of sales in Germany, Italy, the Netherlands, Belgium, where furniture consumption has just began to grow in 2005/2006.

Future value sales estimates in most EU countries indicate an increase for furniture between 2006 and 2010. Growth will be both in volume terms and there will be a trading up to higher quality items. As there are large differences, please see the CBI domestic furniture market surveys in the individual countries. The future EU furniture market will be mainly driven by:

- Continued consumer confidence and home improvement and more innovation in furniture.
- Even if consumers still prefer classical and rustic styles of furniture in most EU countries, there is a growing consumer group that prefers more modern, contemporary and innovative designs at affordable prices.
- The impact of fashion on most western EU markets is creating a culture whereby consumers choose to replace furniture more often than in the past.
- Multi-functional furniture items for small rooms, home office and for children's rooms at low prices.
- Small furniture focussed on singles and on young people living at home.
- The major migration of people within the EU and from outside the EU. The styles they bring from their countries of origin create a market in the countries to which they move.

Product groups

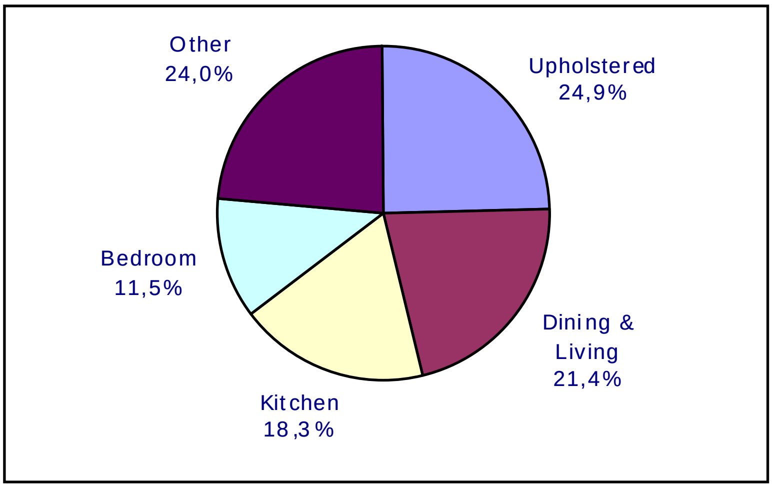
Figure 1.1 shows how the EU market, valued at € 81,668 million is broken down. Upholstered furniture was valued at € 20,325 million, dining and living room furniture was € 17,473 million, kitchen furniture was valued at € 14,941 million, bedroom furniture was € 9,389 million and other furniture was valued at € 19,540 million. Note these figures hide wide differences between countries in terms of the relative size of each product group. See the individual country reports for further detail. Broadly speaking the markets for upholstered furniture, especially leather furniture, and kitchen furniture have been increasing, while dining room furniture has been decreasing. Other newer items of multi-functional furniture are increasing rapidly.

Nevertheless, for example, 'upholstered seating` is a product group which in consumer terms is usually part of living room furniture. Some countries combine figures for living room and dining room furniture. In addition, the category `other furniture` is very broad and will include many but not all items that are not part of the other categories. However, what constitutes `other furniture` will vary from country to country.

(Non-) upholstered living room furniture

This is the largest group, which is usually divided into upholstered and non-upholstered furniture. The highest value comprises *upholstered furniture*, i.e. sofas and chairs. The fall in the price of leather has made this type of upholstered furniture more popular in relation to other types of fabric. They also are subject to heavy usage, so are replaced reasonably often.

Figure 1.1 EU domestic furniture consumption by product group, % value, 2006



Source: Eurostat (2007)

In the medium to high quality range, sofas have become more comfortable, larger and intelligent. New functions are added such as movable arms and backs, adjustable heights as well as extra features e.g. holders for drinks or small platforms for laptop computers. Upholstered furniture forms the largest product group in western, especially the UK and Germany and northern EU countries.
A growing niche in the living room group is sales of reclining chairs, footstools and mechanical chairs designed for the ageing population. In addition, *beanbags* are most popular because of their comfort, softness and flexibility, i.e. they can be put everywhere in the room. Beanbag covers are more diverse in terms of material and cover design ranging from floral patterns to photo prints (e.g. green grass, cars or favourite star etc.).

Non-upholstered living room furniture would consist of armchairs, seats, benches, shelving units, sideboards, coffee tables, TV/music cabinets and generally be replaced less frequently. Ready-assembled living room furniture dominates this market, but self-assembly furniture, due to its lower price takes up to 25% of this product group in especially in the eastern EU countries.

Dining room furniture
This product group has been affected by the reduction in the number of formal eating occasions and pressure on space, which has resulted in reduced demand. Dining room suites are now less popular, and are gradually being replaced by the purchase of individual chairs and tables. Some consumers are buying tables that can also be used as a workstation. *Self-assembly* chairs and tables for dining use are an important sub-sector. Many new open plan-homes there are kitchen-diners assuming that families continue a more informal lifestyle with flexible living areas and less with the formal dining rooms.

In existing houses, the dining space is often combined with either the kitchen or the living room, and consequently the demand for the type of furniture items changes accordingly. Alternatively, some dining rooms are used as a study room leading to increased demand for storage units for books and files, rather than storage for cutlery or crockery.

Dining tables still form a large category within this product group but can be found more often in the (open) kitchen. Most tables vary in appearance from lightweight to robust with an erect and straightforward form. Gate-leg, folding and drop leaf tables are popular for small dining areas, as they use space efficiently. In tabletops at the cheaper market levels in most countries, chipboard, melamine and laminates are often used. In the middle to high-end market levels, consumers prefer tabletops made of solid, light coloured wood (beech, limed oak, birch or ash) or of darker woods.

In tables, asymmetric shapes and combinations of materials remain popular. For example, different wood types can be used in one table. Or, combinations can be made of wood with aluminium, wood with chromium frames, wood with glass, wood with marble, stone, wrought iron or any other material. On the other hand light wooden tables (pine, beech or birch), similar to those sold by IKEA, are popular in most of the Eastern EU countries and Scandinavia.

Chairs vary considerably in style, from simple modern shapes to rustic, classic, baroque or colonial styles, reflecting the huge influence of design in decoration. Sometimes dining tables come with comfortable chairs upholstered with white cotton and changeable back coverings in different softness and/or patterns. Fine rattan and woven material such as leather, fine textiles or plastic are frequently combined with metal or aluminium. Chromium frames and legs are common in contemporary style chairs, with hard plastic, wooden or comfortable leather seating. Chairs come in a variety of designs and colours.

Bedroom furniture

Bedroom furniture includes beds, as well as furniture that is designed for bedrooms, such as wardrobes, chests of draws, bedside tables. The market for beds has seen a trend away from divan-style units towards bedsteads, although some divan beds have an integrated headboard and/or footboard. In terms of other bedroom furniture, it is supplied either freestanding or built-in. Freestanding furniture is popular, but built-in furniture enables consumers to make better use of their bedroom space, particularly for those who also use their bedroom as a workspace. *Flat-pack self-assembly* products constitute a high proportion of bedroom furniture sales.

Trends in bedroom furniture relate to products and accessories that help promote good sleep. Technological elements built in to traditional products are becoming popular. Items that provide interesting lighting or desirable sounds or smells are examples of this. Additionally, items that allow the consumer to access their multi-media equipment in their bedroom are in greater demand, younger consumers turn the bedroom into a multipurpose living space. This may give operators a chance to rethink the traditional nature of the bedroom.
Another important trend is that body sizes of Europeans are changing, which has become an issue for furniture manufacturers, particularly for beds. People are generally becoming bigger and heavier. Sizes of mattresses are larger, as are the sizes of beds.

Kitchen furniture

Kitchen furniture is most often replaced when people move house. It is also seen by many people as the most important room in the house, where most conversation takes place. Fitted kitchen furniture dominates this product group, but the increase in smaller homes has increased demand for freestanding kitchen furniture and worktops. *Self-assembly* is an important part of the kitchen furniture market, although many consumers employ a professional to install it.

Other furniture

Cupboards, bookshelves and storage/wall units used in other rooms have grown strongly in the last few years because of necessity, their improved looks and their clever designs. People look for practical, multi-functional items with various assembly possibilities to store their clothing, books, albums, files or any equipment. This type of storage furniture and/or shelving systems is mostly being used in the hobby- or study room, bathroom, corridor and hallway.

There is a general trend to open shelves and lighter (transparent) materials in order to avoid their dominating in rooms, as well as to accentuate space and openness. The latest shelving units are clever systems, where units can be easily expanded, with a simple insertion of shelves without using tools. Modern cabinets are popular with wheels, so they can be moved around.

Lighter woods such as beech, maple and birch, and warm colours such as cherry and oak are preferred. Combinations of metal, wood and glass are popular in contemporary style. In country or colonial styles, interest remains high in typical wooden cupboards e.g. from developing countries.

Colonial style furniture is often made of darker types of wood (such as teak, wengé, cherry, mahogany). Recently new timbers are used in this type of furniture e.g. rubber wood, lenga, bamboo – with some chairs combined with plait leather. Colonial style can vary from decorative to relaxed. Decorative items include small tables, or desks, with their atmosphere of travel to exotic countries, whereas luxury items include seating made of highly polished cherry wood and upholstered with leather.
Colonial style has become increasingly popular, especially in the UK, France, Italy, the Netherlands, Spain and Portugal. Travel to exotic countries is increasing again. This stimulates interest. Another impulse came from a growing number of immigrants and from non-travelling people who try to create a flavour of the exotic within their homes.

Rattan furniture has been popular since the early 1990s. In Germany and the Netherlands it is being used in the (new) country style and in contemporary style furniture. In the other EU markets rattan furniture has become common in living rooms, bedrooms, study rooms and verandas. The French use rattan chairs and tables in the garden or in second homes. Italians also use them in city apartments e.g. on the balcony. They are used in conservatories in the UK, but less so as interior furniture. Italian design in rattan and the use of fine wickerwork cane of a high quality has created more variety in rattan furniture. Rattan chairs are often combined with solid wooden tables in contemporary or country style dining sets. Most people prefer natural colours, but painted rattan has gained popularity. Most contemporary rattan chairs and tables are combined with metal or aluminium, giving them a more luxurious and solid look.

1.2 Market segmentation

The domestic furniture market can be segmented in a number of different ways. The main method is to segment the market based on the type of people that live in the home or by life stage. There are some growing market niches of furniture aimed at the following consumer types:

Children
This sector is relatively new but now well established. Stimulated by designs based on popular children's characters, and/or by the desire of a parent to create an environment in their child's bedroom that is more than just a place to sleep. By its nature, it is changed quite often as children grow up, or if a new fashion is introduced. Furniture is designed not just for very young children, but up to teenage years as well. Product safety is very importance here.

Singles (16 – 29 years)
People living alone usually spend more time out of their homes and have contemporary furniture which is practical, functional and in the lower price bracket. Many people have a computer or a small office corner in their living or bedroom.

Singles (20 – 50 years)
A growing proportion of people tend to live alone for example unmarried people or people whose circumstances necessitate the setting up of a new home e.g. single mothers setting up house or divorcees starting again. Independent career men or women are also included in this group. They live in apartments or small houses. Consequently, smaller-sized furniture is required. Initially they tend to buy furniture that is practical, multi-functional, well-designed, easy to transport and up to the latest interior trends.

Young parents/couples (25 – 40 years)
Newly married couples in their first home have similar requirements as singles. Newly built homes in cities and in rural areas nowadays tend to be smaller than older homes. They are specifically designed to accommodate functional furniture that can fit in small corners, or that can be reduced in size or folded away. Younger people tend to be less affluent, and this group is usually more interested in self-assembly furniture. Younger people tend to be more individualist,

sensitive to fashion and would chose furniture items that are personalised to their own tastes. Many of the young parents have a small office corner in their living, bed or study room.

Middle parents (35 – 55 years)
These households are reducing in number, but they still represent the mainstream group that spend most on domestic furniture. This group will usually purchase classic furniture styles, and purchase suites or collections more than individual items. They would tend to purchase quality pieces of furniture that will be both hard-wearing, long-lasting and attractive for the purposes of entertaining guests. The emphasis is on items of enduring appeal, rather than unusual designs.

Middle-late parents (40 – 60 years)
They started adult/married life with a particular interior style (typically heavy hardwood furniture) and have changed little, except for functional requirements. Their furniture is solid and stylish and they opt for classic and increasingly for contemporary or modern style furniture.

Elderly people (65 years and older)
This is also a growing market segment, due to the fact that people are living longer, and living more independently. Hence the growth in demand for reclining chairs, chairs with adjustable support, adjustable beds, furniture with easier to open fastenings, easier to use handles, chairs with sections for holding cups, making reading easier etc. Functionality and comfort tend to be more important than style. This segment is becoming more affluent and they are prepared to pay more for specially adapted items that enable them to maintain their independence longer.

Home workers
The number of people working from home has risen steadily in all EU countries, including both the self-employed and those employees who work some time from home. According to a survey done by Manpower in 2006, 15% of the EU workforce can be described as “mobile workers” (spending more than 10 working hours per week away from home and their main place of work) and 4% as mobile teleworkers. Although in the EU-15 working population are 7% teleworking from home presently. Home working is more common in the western and northern EU countries.

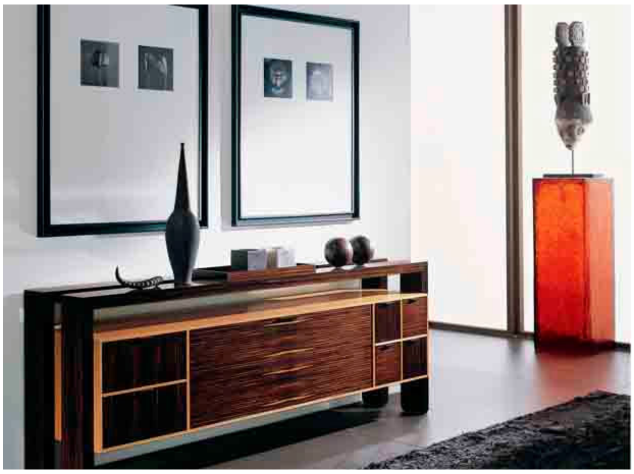
The increase in the demand for home office furniture was also fuelled by PC ownership that is now approaching 75% is most EU15 countries. In addition, internet usage is approaching similar levels. The *home office furniture market,* referred to as *SOHO* (Small Office Home Office), grew since 2000, but annual growth rates have slowed significantly in the past few years due to a slowdown in household penetration of home computers, and a trend to lower prices which has masked volume gains. In addition, the increased use of laptops means that the need for dedicated workstations is less.

Nevertheless, in most of the new EU countries, there is an expansion of flexible, remote and tele-working practices coupled with PC penetration in the home for business and family use. The Manpower research also reveals that the countries from Central and Eastern Europe lag somewhat behind in telework penetration (average: 5.5%). However, there are comparatively high numbers in Estonia (12%) as well as in Lithuania (9%), Slovenia (9%) and Poland (8%).

Computer workstations and desks account roughly for over half the market, reflecting the fact that products for placing computers on are a core driver of demand. When office chairs are added, these three products account for two thirds of sales. Other products include filing drawers/shelves/cabinets, printer trolleys and room dividers. Most items should offer space saving features and are preferred to be on wheels, so that they can be moved easily. For all items, quality standards, ergonomic requirements – especially in Scandinavia - and fast delivery are all relatively more important in this segment than in other furniture items.

Photographs
The photographs on the following pages show the different kinds of interiors typical to each furniture style, as described in this chapter. They are ranged from classic to modern and some of them show combinations of styles.

1. Classic-baroque style
(bedroom with dark wooden cupboard)



2. Colonial style
(Open-designed cabinet of exotic dark wood)

3. Country-romantic style
(Natural fabrics and chairs with wickerwork)

4. Mixed style
(with atmosphere of the 1950s)

5. Contemporary style
(Multi-purpose bedroom with open bathroom)

6. Contemporary style
(Children's furniture with desk and TV)

7. Contemporary style
(Relaxing large couches with 1-2 seaters)

8. Contemporary style
(TV with low items in minimal environment)

9. Contemporary style
(Dining table of glass with expressive wood)

10. Contemporary – Modern style
(Home cinema with design storage unit)

11. Modern style
(Couch with round organic forms and prints)

12. Modern style
(Multi-purpose bedroom – open and light)

Photo courtesy: IMM/Salon du Meuble

1.3 Trends

The theme of *wellness* and *homing* play an important role for people who want to feel comfortable and secure in their own home. This consciousness enables them to create an interior which fits their identity best. Nowadays, people try to mix different interior styles and take ideas from all over to create an original interior. Here they can relax from their hectic lives during the day and enjoy free time with family or with friends. By 'designing' their own personal interior style, people take more pride in the way they furnish their homes. Although they still need inspiration from elsewhere.

More influence of design and style
The popularity of TV programmes on home lifestyles can act as an important stimulus to particular types of furniture. In addition, furniture designers and fashion are important determinants of market segmentation. For example, the success of IKEA and that Scandinavian style has resulted in a long term impact on demand for what are seen as more modern and contemporary furniture styles. Other styles such as colonial, ethnic or rustic have an established position in the market, but their popularity changes over time as fashions and designs change.

Luxury – modern and contemporary styles
One trend that is just becoming apparent is the idea of luxury furniture set in a very minimally designed room. Life is becoming more complicated for many people; products are improved, interior styles are being combined and the number of 'designers' continues to grow. Many homes have reached saturation point when they have no more space to fit more items.
The consequent process of reduction (or "less is more") can be seen in most modern styles EU countries. Furniture items that reflect this trend have a high degree of craftsmanship and they have a value all of their own.

From the second half of the 1990s onwards and the growth of IKEA-alike chains, consumers in all categories gained interest in contemporary style furniture. This has been at the expense of classic and rustic style furniture. This development has recently started in western EU countries and has started soon in the new EU countries as well.
In contemporary style furniture, most designs are simple and cubic. However, there is a trend towards softer, rounded lines, organic shapes and more elegant decorations with much transparency, Brazilian colours and tropical plants.

Romantic – natural style and international interiors
Opposite to minimalistic is the romantic style, which is close to a new form of rustic or classic style. Both styles are with more ornaments in furniture with e.g. floral patterns, baroque decorations, which could be in natural interiors combined with indoor-outdoor patio life. The construction of verandas and in-house gardens in western and northern EU countries gained popularity.
These styles are supported by small furniture items e.g. stools of solid wood with ethnic, folk and oriental designs, including curves, latticework, wrought iron. Interiors become more international where Eastern style and Western tastes are coming together to create new designed interiors. Living styles from parts of Asia are being adopted in some EU markets e.g. in the UK, Germany, France, the Netherlands and Scandinavian countries. While influences from Latin America can be found in most Southern EU countries. Styles and designs of furniture will develop on a global scale.

Combinations and mixes
The boundaries between styles have become much more vague and interior styles are increasingly mixed. Couples tend to compromise now in a combination of the two interior styles e.g. modern and romantic. Their main criteria for modern couples is that their interior is beautiful and reflects the personality of both, rather than reflecting one particular

style. Younger consumers are also mixing old and new styles of furniture. Old furniture includes family items to which they feel personally attached, while new furniture offers added functionality and is more suited to today's smaller living spaces.

Multi-functionality
Multi-function furniture was the main theme at the major trade fairs in 2006/2007. This practical requirement for flexibility is now also coupled with an emotional need, that the furniture should also radiate sensuousness. For example, LED lighting technology can transform an ordinary glass cabinet into an object of beauty, in various colours depending on the mood.
This combination can also be seen in massive TV armchairs with integrated massage systems; also in easy-action snap hinges on upholstered furniture; in loudspeakers of flat design – invisible from the outside – in cupboard doors; in new covers materials, which are extremely soft and pleasant to touch yet robust and easy to care for.
This area also includes furniture for multimedia use. A flat screen TV needs a place of its own and many consumers only want to see it when it is switched on. The same applies to sitting in a comfortably upholstered chair while listening to optimum performance from a sound system.

Most trends in furniture and its designs were given in the previous section 1.2.

Trends in materials, colours and shapes
Wood
Approximately 40% of all domestic furniture is made of solid wood of varying types. Solid wood is preferred by most people, but it is expensive as well dried solid wood gradually becomes scarce. The popularity of different wood types also is subject to change, but beech and other hard woods, such as oak, ash, maple or cherry are still favoured. Tropical hardwoods also become more popular, although this sector is affected by the growing interest in ensuring products are sourced from sustainable forests.
Pine furniture is established as lower-priced but has broad appeal. An increasing proportion is made of a combination of materials, which might be more than one type of wood, a combination of wood and other material such as metal, glass or other man-made material. The material is heavily influenced by the style. For example, more contemporary styles would tend to use either light-coloured wood or non-wooden materials. On the other hand more traditional furniture styles such as colonial or classic furniture would tend to use darker, heavier materials.

Recycled wood or expressive wood
The range of dark woods available will increase, particularly dark walnut or oak. Other woods will be stained dark to look like mahogany. There is more interest in recycled wood or woods with expressive wood grains e.g. core beech, core ash, core oak, tineo etc. More tropical woods will be seen such as zebrano, macassar, palisander, teak or wengé.

Combinations wood and other materials
In addition, wooden furniture is more frequently combined with metal or chrome. In the lower and medium segments, metal, glass and plastic have been popular in modern and contemporary styled interiors. Composite board, particle boards and MDF (Medium Density Fibreboard) are often used in the manufacture of furniture, which is then veneered with more costly hardwoods (e.g. birch, beech, cherry, alder, maple or oak). This has resulted in the production and sale of low-cost wall systems, beds, tables and desks, particularly in the eastern EU countries and by chain stores and discounters in the other EU countries.

Rattan, fine wickerwork, bamboo, hemp, abaca and sea grass continue to be important materials, which are increasingly used in contemporary designs and in natural interiors.

Metals: the metallic, hi-tech or industrial look is popular in furniture, being an eye-catching element. Metals in simple forms are often combined with wood or glass. Stainless steel, chrome, wrought iron, aluminium and copper have become popular in the past few years.

Glass: smoked glass and other opaque finishes, rather than clear (cold) glass is popular. Natural and acrylic glass is increasingly used in combination with other materials in tables, cabinets etc.

New materials: Experiments are done with new materials: polycarbonates in matt finish, high gloss, transparent and in many colours. Also, recycled polyester is increasingly being used in modern items.

Fabrics: these are softer in texture and appearance, with single light natural colours used as a basis. Small motifs, textured look, geometric or large colourful designs are possible. Floral designs, micro-fibres, photo prints are still common and (soft) hi-tech fibres are gaining importance.

Finishes: There is a trend towards high gloss finish in many colours for tables and chests. There is also much use of polished, laminates, satin-finish, acid-etched, painted glass with neutral or bright colours; opaque lacquers; painted and enamelled steel; anodised, polished and mat aluminium.

Finishing: In addition to oiling, natural wax treated, staining and glazing, lacquers are extremely popular as surface finishes. There is a trend towards high gloss finish in many colours for tables and wall-units as it is easier to clean. All shades are in demand. There are no limits to the variety of finishes.

Colours: Colours are mingled so that dark, bright, transparent or natural colours can be used in the same interior. Light-brown, chic dark brown and natural colours. Silver-coloured frames, next to retro colours e.g. dark-brown and black&white. Hard colours red, sunny yellow, pink, lilac, aubergine, turquoise, oriental red, terra, natural olive or moss green were the most common colours in 2006 and 2007.

1.4 Opportunities and threats

The leading trends tend to come from Germany and Italy. The market in eastern EU countries is not as sophisticated yet, and opportunities still exist here for more traditional, basic furniture styles. However, the pace of change and globalisation will mean that these parts of the EU will catch up with Western and Northern EU countries quite soon.

+ As the middle class is growing in all countries, especially the new member states, demand for dining and living room, kitchen, bedroom, home office and other furniture is set to grow.
+ The purchase of individual items is expected to grow, as consumers look for new items that co-ordinate with their existing furniture.
+ Changes in consumption patterns for furniture offer opportunities to exporters from developing countries. The market for self-assembly furniture is growing in certain segments. This is good in terms of ease of transportation for exporters, enabling cost efficiencies, but exporters also need to ensure that designs are innovative and take note of fashion changes in furniture.
+ The increase in smaller homes is also an opportunity for DC exporters. The demand for smaller-sized furniture items also encourages good value products to be shipped from overseas.
+ Opportunities can be found in the romantic style, renewed classic style and colonial style as well as in the contemporary style combined with exotic accessories.

In most EU countries, there is a sustained long-term *shift from traditional to contemporary* style furniture. This has made the furniture market increasingly fragmented. In a mature market with growing supplies from Eastern Europe and China, exporters should seek opportunities in *market niches*. Here there is less competition and they can offer added value by furniture that is unique to their country.

+ The large immigrant and now native population in most western EU countries are interested in some of the styles and designs of furniture they were familiar with from their country of origin.
+ Solid woods are becoming more popular instead of veneers and laminates. Importers are looking for new types of solid wood, similar to light oak, cherry or darker woods. One example could be *rubberwood*. This can be stained and finished to meet EU market requirements - including environmental legislation.
+ Special natural materials/woods from developing countries could be rose oak, eucalyptus, palm fibre, bark, midribs, rice husk (for particle board), nut shells, parts of banana trees (trunk's peel), seagrass, water hyacinth, canvas, cork or powlonia.
+ Also *bamboo* has become a popular material in contemporary style furniture but also in *Eco-design furniture*, because bamboo grows fast. Bamboo is sometimes combined with polystyreen and aluminium that can be recycled. There will be a good opportunity for such Eco-design furniture concepts.
+ Local manufacturers are still looking for outsourcing opportunities and other forms of partnership with quality furniture manufacturers overseas, who can provide more added value in terms of innovative product, special material than just reduced prices.

- Any of these opportunities can also be a threat to exporters. EU buyers are not always reliable to one supplier or country source. They are continually reviewing their suppliers, so you could lose out to a local competitor.
- A major threat comes from manufacturers in the parts of Europe that are currently not part of the EU. Buyers are increasingly concerned about the environmental impact of doing business with companies on the other side of the world.
- Fast delivery (according to sample), good packaging, and after-sales service are required and it is important to get the correct fittings for the right RTA or knock-down system.
- As trends in home interiors change more quickly, it is difficult for exporters to start a long-term investment.

1.5 Useful sources

See CBI market surveys covering the market in individual EU countries for contact details on important sources in each country.

- At an EU level, the European Furniture Manufacturers Federation occasionally publishes market information (http://www.ueanet.com), as does the European Federation of Furniture Retailers (http://www.fena-furniture.com), which will soon evolve in the European Furniture Industry Confederation (http://www.efic.eu). The European Union website also has a section on the furniture industry (http://europa.eu.int/comm/enterprise/furniture/index_en.htm). Further information on furniture specific to forest-based industries appears on the same website (http://europa.eu.int/comm/enterprise/forest_based/furniture_en.html).

- The latest information on trends in home interior styles and furniture can be found at the sites of the International furniture fair in Italy at http://www.cosmit.it and at the more trendfollowing fair in Germany at http://www.imm-cologne.de.

- Information is available from commercial research companies, sometimes at a cost. The main sources are the Furniture Industry Research Institute in Milan (http://www.csilmilano.com or http://www.worldfurnitureonline.com); Euromonitor (http://www.euromonitor.com) and Mintel (http://www.mintel.com).

- Although Eurostat does not provide information on consumption, figures for apparent consumption can be calculated by adding import and production figures and subtracting exports (http://epp.eurostat.cec.eu.int/).

2 Production

2.1 Size of production

The accession in 2007 of Romania and Bulgaria, two countries with a long furniture manufacturing tradition, has added to the size and importance of the EU as the world's leading producer of furniture, still accounting for over 40% of the global market. North America and Mexico account for 25%, while Asia is catching up and is at almost the same level. The manufacturing hub is shifting to Asia, and to China in particular. Outside these areas, two thirds of all South American production is from Brazil.

Although global demand for furniture is growing rapidly, primarily due to increased demand from rapidly developing economies in Asia and Latin America, EU furniture manufacturers are not gaining a major share of this new growth. While overall production levels in the EU may be holding up, their relative position in the world market is one of gradual decline. As a sign of the threat, some leading EU manufacturers would like anti-dumping legislation to be introduced to curb cheap imports of furniture from China. However, this still does not diminish the importance of the EU furniture industry in that it is still seen as the leading source of good design and innovation.

Table 2.1 EU production of domestic furniture, 2002-2006, € million

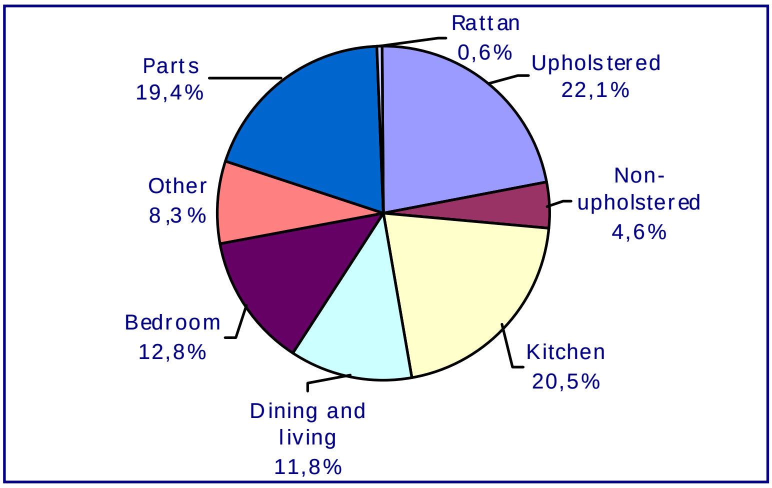
	2002 value	2004 value	2006 value	Average % change in value '02 – '06	Number of companies 2005	Number of employees 2005
Total EU	**72,041**	**72,261**	**77,381**	**1.8**	**112,000**	**940,700**
Germany	15,815	15,560	16,973	1.8	4,500	103,000
Italy	15,752	15,304	15,728	-0.1	24,780	167,000
Spain	6,780	6,968	7,969	4.1	11,250	97,000
France	7,528	7,438	7,493	-0.1	18,050	84,000
United Kingdom	6,672	6,700	7,002	1.2	5,600	85,000
Poland	2,455	2,875	3,390	8.4	8,500	73,500
The Netherlands	2,168	1,963	2,214	0.5	2,800	18,500
Denmark	2,006	2,081	2,100	1.2	450	16,000
Belgium	2,021	1,862	1,947	-0.9	1,150	11,000
Austria	1,780	1,745	1,900	1.6	750	6,500
Sweden	1,660	1,685	1,814	2.2	2,700	16,000
Czech Republic	1,080	1,235	1,350	5.7	4,150	38,650
Romania	832	950	1,085	6.9	3,250	70,000
Portugal	1,006	990	982	-0.6	5,000	33,000
Finland	900	890	930	0.8	1,500	8,600
Hungary	460	620	765	13.6	1,740	15,500
Slovenia	660	715	742	3.0	1,000	9,050
Greece	656	662	724	2.5	7,000	31,295
Slovakia	465	560	675	9.8	1,470	8,500
Ireland	370	355	380	0.7	380	4,000
Lithuania	250	300	330	7.2	1,550	11,580
Estonia	210	255	300	9.3	1,250	9,375
Bulgaria	175	190	210	4.7	1,800	14,000
Latvia	113	130	154	8.0	900	6,250
Luxembourg	102	100	98	-1.0	60	400
Cyprus	75	81	83	2.6	250	1,800
Malta	50	47	43	-3.7	170	1,200

Source: UAE, Eurostat (2007)

Production of domestic furniture in the EU has been increasing by an annual average of 1.8% since 2002. 2006 was a much better year than 2005 for production. Much of the growth has come from the new member states who have joined the EU since 2004. Production in some of the EU15 countries has fallen, but Germany and Italy clearly remain the leading producer countries. The German company Schieder is the leading EU furniture producer, with 41 separate production locations and over 11,000 employees. 2006 saw production start in China, when they opened a new plant in Changzhou. Italian production is more fragmented, but Italy remains the leading producer of upholstered furniture, and their leading company is Natuzzi.

Despite this small increase, employment in the furniture industry continues to fall. This is in part due to technical improvements in production processes, resulting in more labour-saving methods of production. While large manufacturing companies are becoming increasingly important in overall production, the industry is still characterised by many small to medium-sized companies, particularly in Southern and Eastern Europe.

Figure 2.1 Production of furniture in the EU 2006, as % of total value



Source: Eurostat 2007

EU production of over € 77 billion is dominated by upholstered furniture, accounting for 22.1% of all production and valued at € 17 billion, an increase on the previous year's share. In fact, all product groups have increased their share of production at the expense of non-upholstered furniture and other furniture, the share of which has virtually halved. The changing share of different types of production can be explained by the increasing proportion of production accounted for by the new member states.

The furniture industry is concentrated in one or a few particular areas in each country. In Germany the main areas are North Rhine-Westphalia, Bavaria and Baden-Württemburg. In Italy two thirds of furniture suppliers are in the Lombardy and Pesaro regions. Most French suppliers are located in the northern regions (Ouest/Vendée/Bretagne, Île-de-France and Normandie) and the southern Rhône-Alpes region. Spanish furniture suppliers are mostly concentrated in the Valencia, Cataluñia, Basque and Murcia regions.

2.2 Trends

A number of key trends in EU domestic furniture production have been apparent for some time, whereas as the industry evolves with the global market, newer trends become apparent.

Increasing focus on design

EU manufacturers are unable to compete with overseas importers on price, so they are increasingly using design as the key added-value differentiator. This involves employing their own designers, as well as forming collaborations and partnerships with outside design specialists. A further part of this design trend are the increasing attempts to specially tailor products to individual customer requirements.

Retailers increasingly more influence over manufacturers
In the past, manufacturers have sold products to consumers on the back of strong brands. However, retailers increasingly demand that the brand of the manufacturer is hidden from the customer, relying on the retailer's own brand to move the stock and display brand virtues. This loss of control in the supply chain is compounded by competition from lower cost suppliers from other countries.

Continuing relocation of production
A considerable proportion of EU furniture manufacture has been outsourced to new member states. As costs in these countries increase, leading EU manufacturers are looking even further afield to outsource production. Two key trends are apparent here. Firstly, the increasing significance of extra-EU countries on the borders of the enlarged EU. Countries in the Balkan region and some of the old CIS countries, such as Moldova, Georgia and Azerbaijan are receiving investment from western EU manufacturers. Secondly, the number of manufacturers who are relocating some production to Asia, particularly China, have twin objectives – firstly as a lower cost source of quality supply to EU markets, but more importantly to have a production base in emerging consumer markets.

Drives to greater efficiencies
Much work is being done to improve the efficiency of work processes and procedures, rather than cutting costs in production quality and innovation. The EU furniture industry lags behind some other important EU industries in its adaptation of eCommerce. This relates not only to internal procedures, but also to how manufacturers integrate their business processes with both suppliers and customers. The AP236 standard is a foundation for data exchange in the furniture industry, so all the software involved in manufacturing, designing and selling a product understands the same vocabulary. Thanks to this, the manufacturer is able to share his product information with other industry partners.

Specialisation into clusters of experts
Manufacturers are continuing the trend away from being general manufacturers of ranges of domestic furniture, to specialising in particular types of furniture. Together with a geographical concentration of similar types of specialists, where best practice can be shared, this enables optimum production efficiencies as well. This method of working in clusters was initially developed by the Austrian furniture industry but it has become more widespread.

Pioneering the importance of sustainably sourced materials
Climate change and protection of the environment has climbed to near the top of the political agenda in the EU and elsewhere. The furniture industry is a major consumer of forestry products. Hence, responsible behaviour both in terms of sustainable usage of materials in limited supply, as well as recycling old products, is important for the long-term future of the industry. The EU furniture industry is investing heavily in new technologies in this area. EU consumers are increasingly demanding that furniture comes is produced with sensitivity to the environment from which it comes. Other related trends include manufacturers who are collaborating with architects in designing new homes for the future.

These trends tend to originate from Northern and Western EU leading manufacturers, as well as innovative specialist manufacturers. They are less apparent in new member states, but the linkages between countries, and the levels of integration mean that what is happening in one country will soon be adopted in others.

2.3 Opportunities and threats

+ Outsourcing has been a feature of the EU furniture industry for many years now, but it continues to offer opportunities for developing country exporters. Outsourcing is largely driven by the desire to reduce costs, but try to ensure that you offer something more than this to potential EU partners. They will be interested in your design expertise. There may be design styles unique to your country that can provide you with a point of competitive advantage in relation to other exporters. Larger EU companies are more likely to be the best contacts for this.
+ Opportunities can also be found by identifying small or medium-sized producers who wish to maintain their independence in an increasingly competitive international market. They will be interested in forming relationships with good companies who are willing to engage to supply parts or components rather than finished products.
+ If you have maintained an interest in technological development, you will be better-placed to take advantage of opportunities. For example, EU manufacturers will prefer to work with those developing country suppliers who have the technical infrastructure to integrate their systems and procedures with their own. This also relates to your ability to work with a range of different materials.

- EU consumers are demanding more sophisticated furniture designs. This requires that producers may need to afford to invest in capital-intensive equipment. This could be a significant disadvantage in your ability to engage in the EU market.
- You will be just one of a number of exporters wishing to engage in the potentially lucrative EU market. You face threats from new member states such as Romania and Bulgaria who have their own established furniture industries and also possess a cost base well below the EU average. Other non-EU European countries are also a threat. Their geographical proximity makes them interesting to EU manufacturers.

2.4 Useful sources

- The European Furniture Manufacturers Association (http://www.ueanet.com) is the main umbrella organisation representing the interests of the furniture industry in the EU. Links to the main national furniture associations and selected trade press are also provided. There are also some links to other issues affecting the industry, such as production standards, issues on production efficiency etc. They provide production statistics via a quarterly newsletter.
- The European Furniture Industry Confederation (EFIC) is based in Brussels, born at the beginning of 2006, and representing 65% of the sector at European level including Italy and Germany - the two main producers, Denmark, Belgium, Slovakia and Turkey. These members have recently split from the UAE and wish to press for anti-dumping regulations against cheap furniture imports (http://www.efic.eu or mailto:frederik@efic.eu).
- Production data can be found on the website of the European Union. Their data is based on information provided to them by the various National Statistical Offices. See http://epp.eurostat.cec.eu.int and select \`industry, trade and services\` and under \`data\` follow the links to access the database on \`statistics for the production of manufactured goods\`.
- Production data can also be found at the various National Statistical Offices within the European Union. The detail provided on furniture production varies for each country. The United Nations Statistics Division provides links to all National Statistics worldwide (http://unstats.un.org/unsd/methods/inter-natlinks/sd_natstat.htm).
- The Furniture Industry Research Institute, based in Milan, Italy produces regular rpeorts on production in the furniture industry, both in the EU and worldwide (http://www.csilmilano.com). Information from this source has to be paid for.
- The European Union website also provides an overview of the furniture industry. See http://ec.europa.eu/enterprise/furniture/index_en.htm
- Names and addresses of interesting players in EU furniture production are provided in the individual country reports.

3 Trade channels for market entry

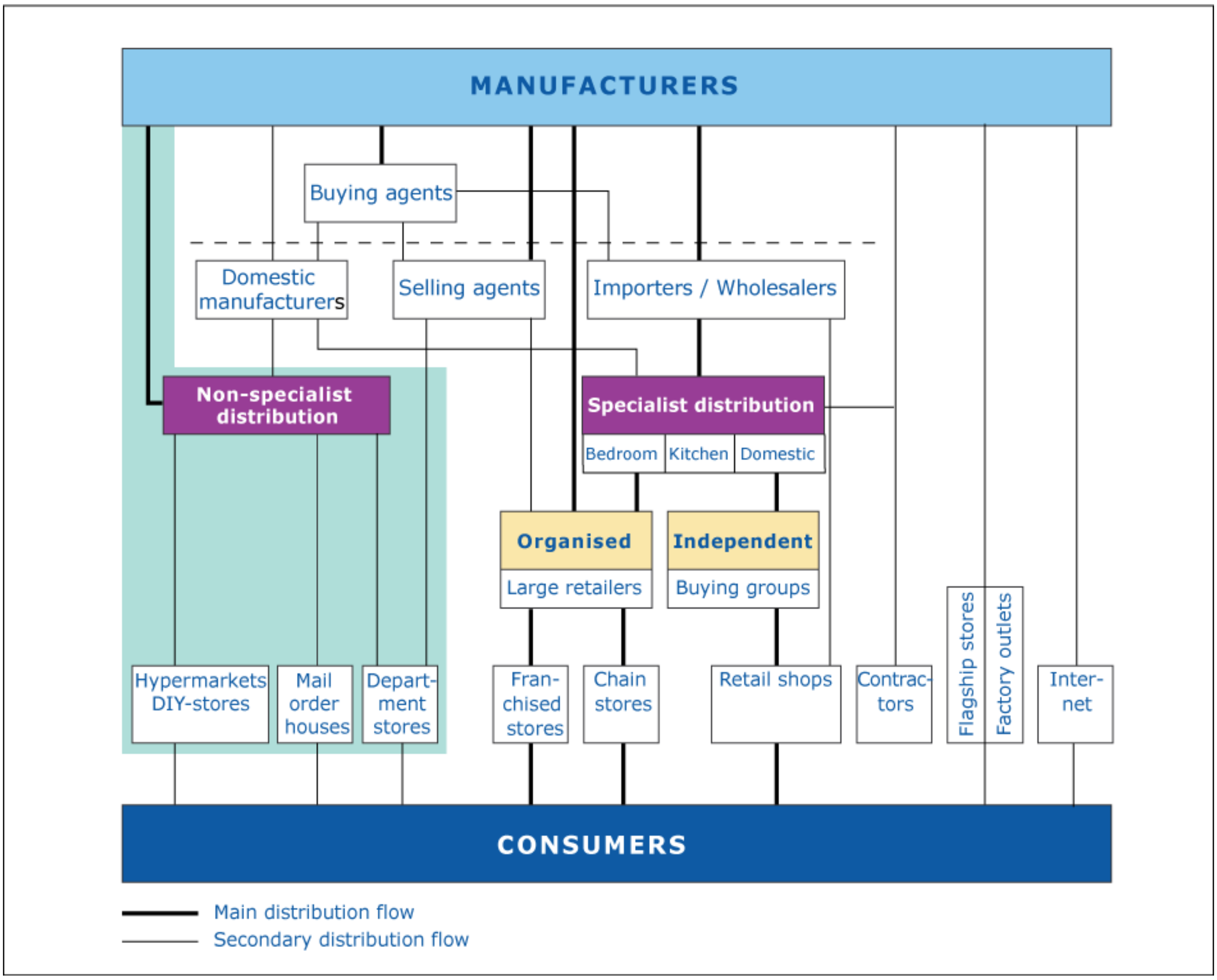
3.1 Trade channels

The route to market in the EU furniture trade is varied. Although domestic furniture is increasingly supplied in formats designed to improve the efficiency of handling and distribution, it is still not suited to multiple handling. Consequently the main distribution flow in the EU tends to be from manufacturer to importer to retailer to consumer. There are variations on this, particularly where large retailers such as IKEA ship direct from manufacturers, eliminating part of the distribution chain.

As figure 3.1 shows, there is a clear distinction between specialist distribution where the product is handled by intermediaries and furniture retailers, and non-specialist distribution where furniture is just one of a wide range of products handled by the companies in question.

- *Specialists* represent approximately 80% of the distribution of furniture in the EU markets, and they are either *organised* in the form of large chain stores or buying groups (this tends to be most common in northern Europe), or *independent* (usually predominant in southern European countries such as Italy, Spain and Portugal).
- *Non-specialists* include department stores, mail order, Do-it-yourself (DIY) stores or hypermarkets. They buy from specialised intermediaries, through their own intermediaries or direct from manufacturers. This channel represents about 20% of furniture retail sales in the EU.

Figure 3.1 Typical distribution structure for furniture in EU markets



Trade channels
For exporters in developing countries, the physical distribution of furniture can be a constraint. When exporting furniture for the first time, importers are the best channels. They have a good knowledge of the market and provide the safest and most effective method of distribution for exporters from developing countries. Once sales of your product(s) have developed, you could either expand your business with your importer or consider supplying direct from your own warehouse, which can be set up for you by a specialised logistics company in the EU.

Importers
By buying on his own account the importer takes title to the goods and is responsible for their onward sale and distribution in his country and/or in other EU markets. Those importers who are not exclusively tied to a brand manufacturer usually buy and sell the goods, take care of import/export procedures and hold items in stock. Many importers sell directly to specialist retailers and department stores through permanent exhibition centres, while others have their own sales staff that visit retailers on a regular basis and take orders.

The importer has contacts in the local market, knows the trends and can supply considerable information and guidance to the overseas manufacturer. The development of a successful working relationship between manufacturer and importer can lead to a high level of co-operation with regard to appropriate designs for the market, new trends, use of materials and quality requirements. Some importers also act as wholesalers.

Wholesalers
Wholesalers often supply independent or specialist furniture shops and play a major role in the supply of furniture. They usually specialise but often carry a wide variety of products. The trend of bigger retailers and buying groups going outside the traditional distribution system has caused wholesalers to reconsider their position in the distribution structure. This has encouraged wholesalers, who were losing part of their business, to operate on a regional basis.

Agents
In your own country, there are *buying agents.* These independent companies negotiate and settle business on the instructions of their principals and act as intermediaries between buyer and seller. They do not buy or sell on their own account. They work on a commission basis and represent one or more larger manufacturers/suppliers/retailers, although competition is avoided. Often the buying agent has his office in the supplying country.

In the target country, there are *selling agents*, which also are (specialised) independent companies. They work on a contract and commission basis for one or more manufacturers. Some of them sell from stock in order to meet their clients' short-term demand, which is on a consignment basis. If an agent builds up his own stock, he is in fact functioning as a wholesaler or distributor.

Domestic manufacturers
Confronted with rapidly rising production costs, which have rendered manufacturers uncompetitive (especially in labour-intensive production lines), manufacturers are increasingly assuming the role of importers. Like importers they look for low-cost sources that can produce furniture on a made-to-order basis, instead of purchasing ready-made articles. The main advantage is that these items can be made according to their own design, quality and colour specification.

Buying Groups
Buying groups prefer to minimise the cost of middlemen by purchasing directly from a supplier whenever possible. This channel is used for large-scale requirements, where direct dealing with well-known suppliers is essential. These groups act as purchasing agents for their individual members (smaller furniture retailers) and financial intermediaries between producers and

retailers. The objective of the buying group is to make it possible for its members to deal with the growing power of large furniture chain stores and discounters. As a group, they also have the necessary buying power to obtain greater discounts from suppliers. Sometimes they offer warehouse facilities to their members. Other advantages include credit card rates, provision of marketing intelligence, staff training and advice on legal and business issues.

Factory outlets
Factory outlets are an example of vertical integration established by manufacturers/suppliers to sell 'out of date articles' from unsold stock direct to consumers, and are growing in importance in the EU. Due to a lack of adequate legislation, they are a serious threat to retailers, especially in Italy, Portugal and Belgium. Here, FOC (Factory Outlet Centre) schemes are being built closer to major cities and there is no clear definition of the goods that are allowed to be sold in these centres.

Some recent distribution chain issues of relevance to exporters are:

- Vertical integration by manufacturers
  Here manufacturers sell direct to consumers via their own stores, removing the need for retailers. One example is the *single brand or flagship store* (e.g. Leolux 'design centres', Ligne Roset, Sofa Workshop Direct, Classic Choice), which sells the complete furniture range of one brand and is meant to enhance the brand image. Most stores have a design corner for tailor made furniture. Another example of vertical integration is the *factory outlet*, where manufacturers sell out of date furniture to consumers at low prices.

- Store attractiveness and regular change by retailers
  With the growing influence of fashion in furniture, furniture stores now change their ranges more frequently, giving the store a sense of continually changing. New furniture ranges can be combined with all sorts of accessories, creating a total interior concept. For an exporter it is important to be aware of this concept. He should try to make a link here when introducing his products, even at importer level. Nowadays, shop interiors appeal more to consumer target groups and can range from classic, colonial, contemporary to ultra-modern.

See chapter 3 of the CBI Export Guidelines for more information on the selection of the most suitable channel to fit your own circumstances.

Retailers - specialists
Retailing varies by product (e.g. bedroom specialists, kitchen specialists) and by country. Chain stores with large showrooms are prevalent in middle and northern EU countries, while independent shops with small showrooms are typical in Italy, Spain and the new EU countries. The broad trend has seen independent outlets suffering at the expense of larger chain stores. This concentration in outlets coincides with an increase in the size of outlets.

In 2006, there were approximately 130,000 furniture retail outlets in the EU, with around 480,000 employees. Furniture retailing has become more diversified with many types of outlets, varying from those stocking a special style of furniture to those carrying a wide range of products with related accessories.

Chain stores
These specialist stores are usually part of a national or international chain store or franchised operation under the same name and a central management. Chain stores are well represented in the UK, Belgium, The Netherlands, France and Germany. Most chain stores have standardised product ranges and are located on the high street or at out-of-town shopping centres. Many chains are national, but an increasing number are now international. Because of volume discounts from their suppliers, they can offer items at low-medium prices, which consumers often purchase on impulse. Sales through furniture chain stores represent about 25% of furniture sales in the EU.

Large chains such as IKEA have their own purchasing staff, buying from all over the world. In the country of origin, most buyers prefer the lines between manufacturer and the source of raw material (e.g. rattan farmers) to be as short as possible. In this case, there is better control over production and communication lines are short, reducing the risk of discrepancies between buyers' requirements and final product.

Independent specialists
In most EU member states, small shops are still well represented. Specialist shops must know the latest trends in fashion, understand how that affects furniture design, and also sell those contemporary products. Specialist stores need to offer added value by giving good advice and service to consumers.

Nowadays, most specialist shops have to cope with issues such as more demanding consumers, more competition from non-specialists and discounters and cheap imports. In order to differentiate, these specialists continually seek new sources to develop their own exclusive collections and change their ranges more frequently (more than twice a year).

Furniture boulevards
In central and northern EU countries, furniture sales networks are modern, well-structured and very efficient. Large *interior shopping malls* of 10,000 m² or more are located in out-of-town shopping centres. A shopping mall houses a mix of smaller and medium sized stores, which specialise in furniture (dining and living, bedroom, kitchen etc.) lighting or household goods. Most of these stores are linked to a buying group or to a chain store operation. Large furniture boulevards exist in The Netherlands. The first furnishings boulevard in France, Domus Paris, opened in March 2006. With a total sales area of 62,000 m² on three floors, 130 brands from the international furnishings trade are represented.

Retailers – non-specialists
Furniture sales by non-specialist outlets are increasing, driven by consumers wanting more choice in the places where they can buy furniture, but also due to the buying power of some large operators that are able to offer good value furniture at attractive prices.

Department stores
This channel is very important in the furniture trade. Although department stores are non-specialists in that they also sell a wide range of other products, many department stores are in fact very specialised because of their long experience in the market. The German Karstadt (182 stores), Kaufhof (126) and the Spanish El Corte Inglés (68) in particular are leaders in the EU. They have furniture departments and concessions (shop-in-shop) in their stores, including their own brand. Department stores in other countries include Galleries Lafayette (France), John Lewis (UK), Coin (Italy) and Bijenkorf (the Netherlands), which also carry some furniture.

DIY stores, hypermarkets and discounters
They have had a major influence on the increased price competition in the whole market, with discounters selling at low prices. They tend to stock limited ranges of lower cost furniture but their impact on the market in terms of polarising between low and high market product is important. Some large retail organisations e.g. Carréfour (France), Metro and Aldi (Germany) and DIY chains have furniture manufactured in low cost countries, to increase their profit margins.

Mail order and the Internet
Mail order has been important as a sales channel for ready-to-assemble furniture, but not so important for sales of product at the higher end of the market. Consumers still prefer to go to a retailer to see and try items of furniture, especially if they are paying significant amounts of money. The same principle applies to the Internet, which until recently was primarily used as a means of comparing prices. However, direct sales through this medium are forecast to become more significant in the future.

3.2 Price structure

When entering the target markets, successful pricing is a key topic in the market entry strategy. In fact, pricing is the only area of the strategy that generates revenues for exporters. All other activities are costs.

Price is the first point of comparison in evaluating your product against the competition. Due to the recession until 2004, prices have been under greater pressure, together with an excess supply of low-priced (RTA) imported furniture. Large retailers exert further pressure on prices and margins in the trade channels by purchasing in substantial quantities.

An exporter from a developing country would be better off by concentrating on the exclusiveness of his product e.g. introducing original styles of furniture that meet the function, design, size and comfort needs of a specific target group. In this case, price is less important. Try to avoid being regarded as another cheap supplier from a developing country.

Key issues on price structure

- *The trade channels* with typical mark-ups of each channel and retail category.
- *Retail prices* of competitors' products in your target market.
- *Discount structure* and credit terms offered by local competitors.
- *The production costs, incoterms, import duties, anti dumping levies and VAT level*.
- *Additional costs* for product adaptation, packaging, marketing and promotion etc.
- *The most 'reasonable' or 'tactical' price level* according to some of your local contacts in the field (agents, other exporters from your country, store managers).

In the case of trial orders, which are delivered for the first time, sometimes a discount is given to buyers and freight is prepaid. Once prices have been agreed and the target markets are set, it is important to keep control and avoid too large a difference between prices in each target market, as they are now easier to compare because of the Euro.

Margins

In the price-competitive furniture market, margin maintenance is vital along with cost control. Nevertheless, margins have been under pressure and have fallen. For retailers it is important not to erode the margin too much when making price promotions.
In several EU countries, this has led to some stores being declared bankrupt. Successful retailers have the right balance between cost control, good retail margins and good buying.

Margins at retail level

Due to the variety in product types, the typical mark-up for retailers averages between 80 and 100% - see the price calculation example in table 3.2. This includes value-added tax (VAT), ranging between 15 and 25% depending on the EU country. Actual margins can vary widely around these averages depending on the exclusivity of the product, the level of demand, the type of store, the nature of the product and the handling involved. For example, where little input is required from sales staff (e.g. IKEA), the retailer will ask for a low margin e.g. 70%. The same applies to RTA furniture. On the other hand, margins for luxury furniture, which need more display space, will most likely have a higher margin e.g. 100%.

Another factor is the location of the retailer. For example, high street chain stores are often in expensive places, carry a wide range and have many sales staff, all of this is also reflected in a higher margin. On the other hand, margins of department stores or large retailers such as *MFI* are lower, because they often buy direct from manufacturers and have outlets at out-of-town shopping centres.

Margins at importer/wholesale level

Wholesalers and importers base their costing on a CIF base. This means that their landed cost is the FOB (Free on Board) plus transport to his warehouse and insurance and possible import duty. The importer/wholesaler mark-ups average between 25 and 30%. Depending on the circumstances, there is also a wide variation around these averages. In principle, importers maintain a fairly close control over recommended retail prices, but oversupply and the growing success of furniture discounters has seriously disturbed the situation. Mark-ups as low as 15% and as high as 60% have been recorded.

So try to look carefully at your costing before making your quote to importers, especially if they supply the low end of the market e.g. hypermarkets, discounters etc. This may prove not be an interesting channel for you. Instead you may try to find importers who operate in the medium to high range part of the market, supplying specialist independent furniture retailers, buying groups or department stores.

The typical average commission rate for an agent is usually 10 to 15% of sales.

The following table 3.1 indicates the effect of low and high margins on the final consumer price, based on a CIF price of 100 for an item of furniture when sold through an importer to a retailers. If the same item is sold through an agent on to an importer and retailer the CIF price is 110. The final consumer prices can be compared with the price level of similar items of competitors.

In this example an imaginary mark-up is set, covering overhead costs (e.g. housing, personnel, selling and general expenses, own profit), which is estimated at 35%. Please note that the breakdown of the cost price by material, direct labour and other cost is purely for the purposes of illustration here:

Table 3.1 Calculation of final consumer price

	Low	***High***	***Competitor***
Material cost (incl. wood certification and 15% for unsold stock)	25	25	
Direct labour cost (incl. design costs)	25	25	
Other cost (e.g. packaging, promotion, sample shipments)	9	9	
Cost price	***59***	***59***	
Mark-up (overhead costs incl. own profit e.g. 35%)	21	21	
Export price (FOB)	**80**	**80**	
Agent's mark up (e.g. low – not through agent, high 10%)		10	
Agent's selling price		***90***	**?**
Import duties* (furniture parts 2.7%)	3	3	**?**
Other costs (e.g. transport, insurance, handling, banking)	17	17	
Landed cost or CIF price	***100***	***110***	
Importer's/wholesalers mark up (e.g. low: 20%, high 35%)	20	48	
Importer's/wholesaler's selling price	***120***	***148***	
Retailer's mark up (e.g. low 80%, high 100%)	96	148	
Net selling price	216	296	
VAT (e.g. 19% in The Netherlands)	41	56	
Final consumer or retail price	**257**	**352**	
Ratio Cost price - Consumer price	***2.6***	***3.5***	

** If the GSP tariff is applicable for your country, the import duty can be reduced to zero.*

See also the CBI market surveys covering the market in individual EU countries and Chapter 3.1.4 of CBI's *Your guide to market research* for more general information on pricing.

3.3 Useful sources

It is useful to contact specific operators in each of the distribution channels. To get a good idea as to how they operate, or to find advice, it is recommended you talk to other people you know who have looked into exporting furniture to the EU.

- There is an umbrella organisation, called the European Federation of Furniture Retailers that represents the interests of furniture retailers in Europe. You can visit their website at http://www.fena-furniture.com
- You may find names of importers from the International Directory of Importers, where 6,000 furniture and home furnishings importers are listed. See http://www.importersnet.com. An Indian company called Exim Infotek publishes a directory of European importers of all types (http://www.eximinfo.com).
- The Furniture Industry Research Institute has published a report called Furniture Distribution in Europe. This report compares the distribution structures in different European countries as well as providing a list of furniture distributors. This report is not free of charge. Further information can be found at http://www.csilmilano.com
- Agents or trade representatives can be found through local trade associations, chambers of commerce, fashion centres and trade directories.
- Names and contact details for the major players in each of these distribution channels can be found in the CBI market surveys covering the market in individual EU countries.

4 Trade: imports and exports

Trade statistics in this Chapter are taken from Eurostat. Eurostat bases its statistics on information from the Customs and EU companies that is given on a voluntary basis. Not all transactions are registered, particularly intra-EU trade such as those by smaller countries and transactions from non-EU sources. Consequently, intra-EU trade tends to be understated. On the other hand, figures for trade between the EU and the rest of the world (extra-EU) are accurately registered, and therefore more precisely presented in these statistics. Nevertheless, they must be treated with extreme caution and are only intended to give an indication of trade flows in the international domestic furniture market.

4.1 Total EU imports

The EU accounts for over half of global domestic furniture imports. In 2006, this represented 11.5 million tonnes valued at € 32.2 billion. This represented a 6.3% average annual increase in value and a 9% average annual increase in volume since 2002, indicating continuing downward pressure on prices.

Table 4.1 EU Imports of domestic furniture 2002-2006, € million / 1,000 tonnes

	2002		2004		2006		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU, of which from	**25,171**	**8,172**	**29,372**	**10,985**	**32,175**	**11,523**	**6.3**
Intra-EU	13,718	3,966	18,703	6,579	21,746	7,363	12.2
Extra-EU	11,453	4,206	10,669	4,406	10,429	4,160	-2.3
Developing countries	4,347	1,610	6,152	2,656	7,833	3,237	15.9

Source: Eurostat (2007)

This growth rate in large measure is accounted for by larger increases by some of the new member states, rather than significant increases in the traditional EU major markets (see country reports for more detail). The major source of increases in imports is from developing countries, which now represent 24.3% of total EU imports by value, up from 17.3% in 2002. Developing country volumes are up from 19.7% in 2002 to 28.1% in 2006, indicating rising values from developing countries. Intra-EU trade accounts for 67.6% of the value of imports, up from 54.5% in 2002. Extra-EU share of trade has fallen from 45.5% in 2002 to 32.4% in 2006.

These increases in imports can only partially be attributed to increased demand in the EU. However, overall market sizes have been increasing at a lower rate than imports, but there has been a mixed picture in production in the EU as a result of competition from lower-priced imports. Between 2002 and 2006, domestic production has been increasing at an average of 1.8% per annum in value, but has risen further by volume. This can be explained by significant additional volumes from some new member states.

4.2 EU imports per product group

This sector is diverse. It is broken down into eight separate product groups. For the purposes of this survey, we have highlighted five of these groups, which are of potentially greater interest and opportunity for developing country exporters, partly due to the size of the groups, but also because of the greater relevance of some of the products within the groups.

To put these five product groups in context, the following table summarises imports for all products included within the domestic furniture sector, to more readily appreciate the importance of the product groups we have selected.

Table 4.2 EU Imports of domestic furniture by product group 2002-2006, € million / 1,000 tonnes

	2002		2004		2006		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU	**25,171**	**8,172**	**29,372**	**10,985**	**32,175**	**11,523**	**6.3**
Furniture parts	8,160	1,976	9,186	2,461	10,387	2,698	6.2
Other furniture	4,407	1,819	5,413	2,519	6,125	3,007	8.6
Upholstered seats	3,663	763	4,607	993	5,141	1,207	8.8
Dining/living room	3,356	1,392	3,624	1,668	3,640	1,711	2.1
Non-upholstered seats	2,149	702	2,624	1,004	2,921	1,039	8.0
Bedroom	1,937	959	2,167	1,602	1,942	997	0.0
Kitchen	998	413	1,201	448	1,420	626	9.2
Rattan	501	147	549	290	599	239	4.6

Source: Eurostat (2007)

The main product groups for domestic furniture are shown in the next five tables. The product groups selected are furniture parts, dining/living room furniture, other furniture, non-upholstered seats and rattan furniture. These five groups between them represent 74% of all domestic furniture imports by value and 75% by volume in 2006. Note that imports per product group by individual member states are given in the CBI market surveys on individual countries.

Furniture parts

Furniture parts represented the largest product group, as shown in table 4.2, accounting for 32.3% of the imports by value (23.4% by volume). The significance of outsourcing is highlighted by the size of this product group. The higher value reflects the higher prices paid for these products compared to other domestic furniture. Within this group, parts of seats (not wood) accounted for 63.8% of the value of this group (€ 6.6 billion), but just 36.2% of the volume (977 thousand tonnes). These have been increasing at 5.5% year on year over the period, compared with the sector as a whole that has been increasing at the rate of 6.2% per annum.

Parts of furniture of wood accounted for 16.4% of the value of the group (€ 1.7 billion), but 36.5% of volume (984 thousand tonnes). This indicates that products made of wood were of lower value than products made of other materials, where additional processing would be required for them to attain their value. Of the other sub-groups, metal parts of furniture were valued at € 1.3 billion (460 thousand tonnes), other parts of furniture were € 558 million (198 thousand tonnes) and wooden parts of seats were valued at € 165 million (78 thousand tonnes).

80.9% of the imports of this product group were supplied from within the EU, although these have been increasing at the rate of 16.9% per annum over the period, compared to 6.2% for the product group as a whole, and 9.7% per annum for imports from developing countries. Germany, Italy and Poland were the largest intra-EU suppliers. Over the period, extra-EU supplies (excluding developing countries) have decreased by 29% year on year.

China was the largest developing country supplier of furniture parts, with supplies of € 349 million in 2006 (175 thousand tonnes) up on average 30% each year, from € 121 million in 2002 (57 thousand tonnes). South Africa was the largest supplier in 2002 (€ 305 million). Their import value was down to € 264 million in 2006 (4.5 thousand tonnes). Supplies from Turkey, Croatia and Bosnia-Herzegovina have increased over the period but supplies from Indonesia have fallen. Other leading suppliers have all also seen increases over the period.

Table 4.3 EU imports and leading suppliers for furniture parts 2002 - 2006, share in % of value

	2002 € mln	2004 € mln	2006 € mln	Leading suppliers to EU in 2006 Share in %	Share (%)
Total EU, of which from	8,160	9,186	10,387		
Intra EU	4,493	6,501	8,402	Germany (16.2%), Italy (11.6%), Poland (10.8%), Austria (7.4%), Czech Rep (7.1%)	80.9
Extra EU ex. DC*	2,786	1,582	708	Romania (1.7%), Switzerland (1.3%), USA (1.0%), Japan (0.7%), Taiwan (0.7%),	6.8
DC*	881	1,103	1,277	China (3.4%), S Africa (2.5%), Turkey (1.6%), Croatia (1.4%), Bosnia-Herzegovina (1.0%), Tunisia (0.5%), Thailand (0.4%), Uruguay (0.3%), Morocco (0.2%), Indonesia (0.2%)	12.3

Source: Eurostat (2007)
*Developing countries

Other furniture

Other furniture represented the second largest of the selected product groups, as shown in table 4.2, accounting for 19% of imports by value (26.1% by volume). 58.9% of the imports of this product group are supplied from within the EU, although these have been increasing at the rate of 11.2% per annum over the period, compared to an increase of 8.6% for the product group as a whole, and an increase of 16.8% per annum for imports from developing countries. Poland, Germany and Italy were the largest intra-EU suppliers. Over the period, extra-EU supplies (excluding developing countries) have decreased by 10.1% year on year, in particular from Israel.

Within this group, other furniture made of wood was the largest sub-group, valued at € 3.4 billion (54.7%) or 1.8 million tonnes. Other metal furniture was valued at € 2.2 billion (35.9%) or 1 billion tonnes, while other plastic furniture was valued at € 588 million or 205 thousand tonnes. The strongest gains have been made by the wood and metal sub-sectors.

China was the largest supplier of other furniture, with supplies of € 827 million in 2006 (420 thousand tonnes), up by the equivalent of 17.7% each year from € 431 million in 2002 (217 thousand tonnes). Indonesia was the second largest developing country supplier in 2006 (€ 386 million), followed by Vietnam (€ 318 million). Supplies from all the leading Asian suppliers have increased over the period. Of the non-Asian suppliers, Turkey and Egypt have increased, while the value of supplies from South Africa has decreased significantly.

Table 4.4 EU imports and leading suppliers for other furniture 2002 - 2006, share in % of value

	2002 € mln	2004 € mln	2006 € mln	Leading suppliers to EU in 2006 Share in %	Share (%)
Total EU, of which from	4,407	5,413	6,125		
Intra EU	2,360	3,074	3,605	Poland (9.7%), Germany (8.8%), Italy (8.3%), Spain (4.2%), Sweden (3.8%)	58.9
Extra EU ex. DC*	1,044	849	652	Romania (4.4%), Switzerland (1.8%), USA (0.7%), Bulgaria (0.6%), Russia (0.5%),	10.6
DC*	1,003	1,490	1,868	China (13.5%), Indonesia (6.3%), Vietnam (5.2%), India (1.9%), Malaysia (1.7%), Brazil (1.7%), Thailand (1.0%), Turkey (0.6%), Egypt (0.2%), S Africa (0.1%)	30.5

Source: Eurostat (2007)
*Developing countries

Dining/living room furniture

Dining/living room furniture represented the third largest of the selected product groups, as shown in table 4.2, accounting for 11.3% of imports by value (14.8% by volume). 60% of the imports of this product group were supplied from within the EU, although these have been increasing at the rate of 6% per annum over the period, compared to 2.1% for the product group as a whole, and 12.7% per annum for imports from developing countries. Poland and Italy were the largest intra-EU suppliers. Over the period, extra-EU supplies (excluding developing countries) have decreased by 23.2% year on year.

China was the second largest supplier of dining/living room furniture (after Poland), with supplies of € 465 million in 2006 (229 thousand tonnes), up by the equivalent of 32.7% each year from € 150 million in 2002 (59 thousand tonnes). Indonesia was the second largest developing country supplier in 2006 (€ 180 million or 77 thousand tonnes), followed by Malaysia (€ 83 million or 49 thousand tonnes). Supplies from Indonesia and Malaysia have decreased over the period but supplies from Vietnam and India have increased. Of the non-Asian suppliers, Bosnia-Herzegovina, Belarus and Ukraine have all increased.

Table 4.5 EU imports and leading suppliers for dining/living room furniture 2002 - 2006, share in % of value

	2002 € mln	2004 € mln	2006 € mln	Leading suppliers to EU in 2006 Share in %	Share (%)
Total EU, of which from	3,356	3,624	3,640		
Intra EU	1,727	2,140	2,184	Poland (13.3%), Italy (9.8%), Germany (7.4%), Denmark (5.2%), Belgium (3.5%)	60.0
Extra EU ex. DC*	925	596	322	Romania (5.3%), Switzerland (1.1%), Bulgaria (0.5%), USA (0.4%), Russia (0.4%),	8.8
DC*	704	888	1,134	China (12.8%), Indonesia (5.0%), Malaysia (2.3%), Vietnam (2.2%), Brazil (2.2%), India (2.0%), Thailand (0.8%), Bosnia-Herzegovina (0.5%), Belarus (0.4%), Ukraine (0.4%)	31.2

Source: Eurostat (2007)
*Developing countries

Non-upholstered seating

Non-upholstered seating represented the fourth largest of the selected product groups, as shown in table 4.2, accounting for 9.1% of imports by value (9% by volume). 45.6% of the imports of this product group were supplied from within the EU, although these have been increasing at the rate of 10.6% per annum over the period, compared to an increase of 8% for the product group as a whole, and an increase of 16.2% per annum for imports from developing countries. Developing countries were the dominant suppliers in this group. Italy and Poland were the largest intra-EU suppliers. Over the period, extra-EU supplies (excluding developing countries) have decreased by 20% year on year.

Within this group, seats with wooden frames was the largest sub-group, valued at € 958 million (32.8%) or 343 thousand tonnes. Seats with metal frames were valued at € 929 million (31.8%) or 356 thousand tonnes. Other seats were valued at € 676 million (23.1%) or 184 thousand tonnes. Seats convertible into beds were valued at € 359 million (12.3%) or 157 thousand tonnes. Seats with metal frames were the fastest growing sub-group by value. Seats convertible into beds were the fastest growing sub-group by volume.

China was the dominant supplier of non-upholstered seating, with supplies of € 851 million in 2006 (364 thousand tonnes), up by the equivalent of 26.3% each year from € 334 million in 2002 (142 thousand tonnes). Vietnam was the second largest developing country supplier in 2006 (€ 179 million or 78 thousand tonnes), followed by Indonesia (€ 138 million or 40 thousand tonnes). Supplies from all the leading Asian suppliers have increased over the period, with the exception of Indonesia. Of the non-Asian suppliers, Turkey has increased, while the value of supplies from Brazil and Croatia have decreased.

Table 4.6 EU imports and leading suppliers for non-upholstered seating 2002 - 2006, share in % of value

	2002 € mln	2004 € mln	2006 € mln	Leading suppliers to EU in 2006 Share in %	Share (%)
Total EU, of which from	2,149	2,624	2,921		
Intra EU	890	1,192	1,331	Italy (9.8%), Poland (7.7%), Germany (5.4%), The Netherlands (4.0%), France (2.9%)	45.6
Extra EU ex. DC*	499	332	205	Romania (2.4%), Bulgaria (1.1%), Taiwan (0.7%), Russia (0.7%), USA (0.7%),	7.0
DC*	760	1,100	1,385	China (29.1%), Vietnam (6.1%), Indonesia (4.7%), Malaysia (2.0%), Thailand (1.3%), Turkey (0.9%), Croatia (0.5%), Philippines (0.4%), India (0.4%), Brazil (0.3%)	47.4

Source: Eurostat (2007)
*Developing countries

Rattan furniture

Rattan furniture represented the smallest of the selected product groups, as shown in table 4.2, accounting for 1.9% of imports by value (2.1% by volume). 34.6% of the imports of this product group were supplied from within the EU, although these have been increasing at the rate of 7.7% per annum over the period, compared to 4.6% for the product group as a whole, and 3.7% per annum for imports from developing countries. Developing countries remain the principle source of supply. Italy and Germany were the largest intra-EU suppliers, although significant supplies from The Netherlands and Belgium indicate re-exports from other countries, most likely developing countries. Over the period, extra-EU supplies (excluding developing countries) have decreased by 3.1% year on year.

Rattan furniture other than seats accounted for 71% of all rattan imports by value (€ 427 million) and 78% by volume (187 thousand tonnes). Imports of rattan seats are in decline. They are now valued at € 172 million (53 thousand tonnes).

Indonesia was the largest supplier of rattan furniture with supplies of € 163 million in 2006 (54 thousand tonnes), down by the equivalent of 3.5% each year from € 188 million in 2002 (52 thousand tonnes). China was the second largest developing country supplier in 2006 (€ 122 million or 73 thousand tonnes), but largest in terms of volume. Supplies from Vietnam were valued at € 43 million (20 thousand tonnes). Supplies from Indonesia and Malaysia have decreased over the period but supplies from Vietnam and India have increased. Supplies from the leading non-Asian suppliers have all increased.

Table 4.7 EU imports and leading suppliers for rattan furniture 2002 - 2006, share in % of value

	2002 € mln	2004 € mln	2006 € mln	Leading suppliers to EU in 2006 Share in %	Share (%)
Total EU, of which from	501	549	599		
Intra EU	154	189	207	Italy (8.0%), Germany (5.7%), Spain (5.1%), The Netherlands (3.9%), Belgium (2.5%)	34.6
Extra EU ex. DC*	34	34	30	Taiwan (2.0%), Switzerland (1.0%), USA (0.6%), Romania (0.6%), Norway (0.1%),	5.0
DC*	313	326	362	Indonesia (27.2%), China (20.3%), Vietnam (7.2%), Philippines (2.2%), Malaysia (0.8%), Turkey (0.7%), Thailand (0.5%), India (0.3%), Morocco (0.3%), Bosnia-Herzegovina (0.1%)	60.4

Source: Eurostat (2007)
*Developing countries

4.3 The role of developing countries

The role of developing countries in supplying domestic furniture to the EU has become increasingly important. In 2002, 17.3% of all domestic furniture imports by value (19.7% by volume) to the EU came from developing countries. By 2006, 24.3% by value (28.1% by volume) of all EU imports came from developing countries. Note that imports by product group for individual member states can be found in the CBI market surveys covering the market in individual countries.

As shown in table 4.8, imports from developing countries to the EU increased by an annual average of 15.9% by value (19.1% by volume) to reach € 7.8 billion in 2005. This average increase hides significant differences between countries.

Table 4.8 Imports of domestic furniture from developing countries 2002-2006, € million / 1,000 tonnes

	2002		2004		2006		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU	**4,347**	**1,610**	**6,152**	**2,656**	**7,833**	**3,237**	**15.9**
United Kingdom	1,284	498	1,647	737	2,050	819	12.4
Germany	833	220	1,179	402	1,300	446	11.8
France	614	250	760	340	889	399	9.9
Spain	205	83	399	190	644	291	33.1
The Netherlands	376	148	534	245	578	247	11.5
Italy	232	122	370	196	468	249	19.2
Belgium	207	72	296	132	358	153	14.6
Denmark	120	50	183	85	275	123	22.9
Sweden	118	48	176	81	260	118	21.8
Slovenia	12	4	69	17	248	31	111.9
Ireland	54	24	97	43	171	73	33.7
Greece	50	25	108	54	131	62	27.1
Austria	103	14	113	25	127	62	5.4
Poland	30	12	44	23	98	54	34.4
Finland	31	13	40	21	69	32	22.0
Czech Republic	17	6	24	12	37	20	21.9
Romania	5	4	17	10	34	20	62.1
Cyprus	9	1	16	6	30	16	37.1
Hungary	21	6	25	12	25	13	5.1
Portugal	12	5	23	9	20	10	14.4
Bulgaria	4	3	8	5	16	10	42.8
Lithuania	1	1	5	3	10	6	79.6
Estonia	2	1	3	1	10	5	54.7
Latvia	2	1	2	2	9	6	48.3
Slovakia	3	1	7	3	7	4	19.4
Malta	2	0	5	2	7	4	39.5
Luxembourg	1	0	3	1	2	1	24.1

Source: Eurostat (2007)

The top four importers (UK, Germany, France, Spain) accounted for 62.4% (60.4% by volume) of all EU imports from developing countries, down from 67.5% (65.3% by volume) in 2002. Spain increased its imports by more than these other three countries. The UK has been the leading value importer for some time, with values similar to those of Germany and France combined.

Imports by the twelve newest member states were valued at € 531 million (187 thousand tonnes) in 2006, 6.8% of the total by value and 5.8% by volume. This compares with € 108 million (39 thousand tonnes) in 2002, 2.5% of the total by value and 2.4% by volume. Hence the significance of the new member states as import destinations has grown significantly over the period.

The largest increases were experienced by Slovenia, Lithuania and Romania, as well as Bulgaria and the other Baltic States. However, large increases were also experienced by three of the EU15 member states, Ireland, Spain and Greece. These increases are explained by increases in their domestic market, but also due to the fact that their economies have performed generally better than many other EU countries over the period.

Only Hungary of the new member states experienced below average increases in their imports from developing countries. Their average increase was also lower than the market average. The poorest performing original member state was Austria, the only country also to register an overall decrease in imports of the period.

China dominated the supply from developing countries, accounting for over 48% by value (€ 3.8 billion) and 52% by volume (1.7 million tonnes). This represented an annual increase of 29%. Indonesia (10% of supplies worth € 764 million or 286 thousand tonnes) registered a 0.4% annual increase. Vietnam (less than 8% of supplies worth € 559 million or 254 thousand tonnes) registered a 22% annual increase. Malaysia (5% of supplies worth € 348 million or 164 thousand tonnes) registered an increase of almost 3%. Thailand represented supplies of approximately 3%, but their rate of increase was low. Turkey, South Africa and Brazil were the leading non-Asian DC suppliers. It is clear that the dominance of supplies from China is increasing.

Table 4.9 indicates the relative importance of the different product groups for developing countries. Figures in brackets indicate the proportion of the total that developing countries represent.

Table 4.9 EU Imports from developing countries of domestic furniture by product group 2002-2006, € million / 1,000 tonnes

	2002		2004		2006		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU	**4,347** ***(17%)***	**1,610** ***(20%)***	**6,152** ***(21%)***	**2,656** ***(24%)***	**7,833** ***(24%)***	**3,237** ***(28%)***	**15.9**
Other furniture	1,003 *(23%)*	474 *(26%)*	1,490 *(28%)*	832 *(33%)*	1,868 *(31%)*	994 *(33%)*	16.8
Non-upholstered seats	760 *(35%)*	285 *(41%)*	1,100 *(42%)*	488 *(49%)*	1,385 *(47%)*	559 *(54%)*	16.2
Upholstered seats	321 *(9%)*	91 *(12%)*	754 *(16%)*	243 *(24%)*	1,325 *(26%)*	420 *(35%)*	42.5
Furniture parts	881 *(11%)*	153 *(8%)*	1,103 *(12%)*	222 *(9%)*	1,277 *(12%)*	304 *(11%)*	9.7
Dining/living room	704 *(21%)*	310 *(22%)*	888 *(25%)*	446 *(27%)*	1,134 *(31%)*	548 *(32%)*	12.7
Bedroom	345 *(18%)*	186 *(19%)*	459 *(21%)*	275 *(17%)*	436 *(22%)*	226 *(23%)*	6.0
Rattan	313 *(62%)*	101 *(69%)*	326 *(59%)*	132 *(46%)*	362 *(60%)*	159 *(67%)*	3.7
Kitchen	25 *(3%)*	13 *(3%)*	31 *(3%)*	19 *(4%)*	47 *(3%)*	25 *(4%)*	17.1

Source: Eurostat (2007)

4.4 Exports

The EU accounts for over 40% of world exports of domestic furniture. Italy was the leading exporter, followed by Poland, France and Denmark. EU exports were 7% higher by value (8% lower by volume) than EU imports. In 2002 they were 23% higher in value terms (5% higher by volume). As indicated in table 4.10, exports from the EU have been increasing year on year, but this is primarily due to increases in intra-EU exports. Exports of domestic furniture within the EU were increasing faster than to any other part of the world, including developing countries. The major explanation for this was extra trade between EU member states as a result of EU enlargement. There have been falls by the leading exporter Italy, but this has been offset by significant increases by Poland and other East-European countries such as the Czech Republic, Slovenia and Romania.

Table 4.10 EU exports of domestic furniture 2002-2006, € million / thousands of tonnes

	2002		2004		2006		Average annual % change in value
	value	volume	value	volume	value	volume	
Total EU, of which:	**31,024**	**8,593**	**32,653**	**10,175**	**34,574**	**10,577**	**2.7**
Intra-EU	21,100	6,101	24,040	7,730	25,833	8,186	5.2
Extra-EU	9,924	2,492	8,613	2,445	8,741	2,391	-3.1
Developing countries	1,720	509	1,702	515	1,986	554	3.7

Source: Eurostat (2007)

In 2002, intra-EU exports accounted for 68% of all exports by value (71% by volume). This had increased in 2006 to account for 75% of all exports by value (77% by volume). Although extra-EU exports fell by an annual average 3.1% in value, there was an annual average volume fall of 1% over the same period. Exports to developing countries represent just 6% of all EU exports, a marginal increase since 2002.

In terms of product groups, furniture parts was the largest group, valued at € 11 billion, or 32% of exports, followed by other furniture (€ 6.7 billion); upholstered seating (€ 5.4 billion); dining and living room furniture (€ 3.7 billion); kitchen furniture (€ 2.6 billion); non-upholstered seating (€ 2.4 billion); bedroom furniture (€ 2.3 billion) and rattan furniture (€ 0.6 billion).

4.5 Opportunities and threats

Imports into the EU have been rising ahead of the growth in EU consumer markets, and increases in imports from developing countries have been increasing well above that.

+ The key long-term trend that will provide an opportunity for DC exporters is the slow decline in production in some of the main EU markets and the transfer of production to low-wage economies overseas. The issue for many DC exporters is as much one of competing with other DC exporters, as one of finding new EU markets. What is an opportunity for one exporter becomes a threat for another. The import figures show quite clearly how patterns of trade seem to shift between countries. For example, there seems to be a relationship between Tunisia and Morocco, where on occasion one country has increasing supplies to the EU while the other has falling supplies. Other examples of this are also apparent within Asia.
+ From a product perspective, all of the selected product groups are growing, and imports from developing countries are growing at a faster rate than the market as a whole. The upholstered seating category, which was not one of the selected groups, has actually seen rapid increases in growth from developing countries. This is explained by EU consumers looking for higher levels of finish and comfort in some of their domestic furniture purchases.
+ While China dominates DC supply in many product groups, there are still opportunities for high quality suppliers of other furniture, particularly small cabinets and cupboards. Although there has been alot of pressure on these products from lower priced products made of other materials, EU buyers always appreciate high quality. It is not reflected in the figures specifically, but there are also growing opportunities for all furniture products that are made with a combination of materials, usually wood and a sympathic synthetic compatible material.

+ Opportunities in the other furniture category will also include multi-functional furniture and furniture that can also have a use as home office equipment.
+ Opportunities and threats can also be seen in the relative position of DCs in each of the EU member states. The newest members, Bulgaria and Romania, as you might expect have shown the greatest level of increases in imports from DCs. The Greek and Irish economies have been booming and have been taking in many more imports to support their growing domestic demand. The new Eastern EU countries have not on the basis of the figures shown good opportunities for DC exporters. However, increasing disposable incomes are expected in future in these countries and that should eventually feed through to increased demand for domestic furniture.
- Developing country exporters need to take care that their already strong volume position is not exploited further by EU buyers, who may view certain DC suppliers purely as a source of low cost imports. This is especially true for manufacturers of rattan furniture. Here DC exporters already dominate volume imports, but the category is not performing well. Work is needed to improve the perceived value of rattan products in the eyes of EU consumers, many of whom perceive this category to be of low value.
- In addition, the poor relative performance of furniture parts may indicate that the number of opportunities available through outsourcing may be starting to slow.
- There will always be opportunities for those exporters who can demonstrate their ability to work to the standards demanded by EU importers, whether this is in the form of a developing partnership or as an ad hoc supplier. However, those suppliers who do not demonstrate their ability to supply the EU to the increasingly higher standards demanded will lose out.

4.6 Useful sources

- EU Expanding Exports Helpdesk
  ➔ http://export-help.cec.eu.int/
  ➔ go to: trade statistics
- Eurostat – official statistical office of the EU
  ➔ http://epp.eurostat.cec.eu.int
  ➔ go to ‘themes’ on the left side of the home page
  ➔ go to ‘external trade’
  ➔ go to ‘data – full view’
  ➔ go to ‘external trade - detailed data’

5 Price developments

5.1 Price developments

Consumer prices

Furniture prices have been increasing at a lower rate than general inflation. For example EU25 inflation was 2.1% in 2006 while furniture prices increased by an average of 0.6% over the same period. The ability to easily shop around and compare prices using the Internet and the easy comparability of euro prices between countries has kept furniture prices down. This average figure hides wide differences between countries. More information is available in the country reports, but for example in Estonia general inflation was 4.7% while furniture prices increased by 6.1%, whereas in France general inflation was 1.6% while furniture prices increased by just 0.3%.

Expenditure on furniture forms about 2.5% of total household consumption in the EU, ranging between 1% and 5% depending on the country. A recent study by Eurostat (published in April 2007) provides a good broad comparison of furniture prices around the EU. The survey covered 140 comparable products of all types of furniture. It included `specified brands` that have a reputation throughout the EU, `well known brands` which relates to quality product with a good local reputation, and `brandless items`, which tend to be at the lower end of the market.

This followed up on an earlier study and it concluded that there are wide price disparities between countries, similar to what was previously found. Price dispersion is lowest in the EU15 area, indicating greater market integration in this area. There was even less dispersion for `specified brands`. Dispersion was much greater in the new member states.

The countries can be divided into three distinct clusters:

- Countries with a furniture price index above average (>105% and <115% of the EU25 average) in descending order – the United Kingdom, Italy, Ireland, Malta, Luxembourg
- Countries in the mid-range (>85% to 105%) in descending order – Cyprus, Greece, Finland, Spain, Belgium, Sweden, Portugal, France, Denmark, Austria, The Netherlands, Germany
- Countries in the low range in descending order - Slovenia, Czech Republic, Hungary, Estonia, Slovakia, Poland, Lithuania, Bulgaria, Latvia and Romania a distant last.

The high position of Malta and Cyprus is perhaps explained by island economies having higher than average import costs and a small domestic market.

Within each country will be found wide variations between prices in different market segments, as well as differences between the same retailers in different countries. The leading retailer IKEA is represented in many EU countries. This example illustrates on the one hand how prices converge in parts of the eurozone while there are greater price differences outside this area. Part of the reason could also be different costs of supply. Using *IKEA's Apselund bed* as a standard price comparison, the following prices were found around the EU for the same product:

- In the eurozone, France, The Netherlands € 99; Belgium € 99.90; Greece, Austria € 109; Italy € 110; Germany € 112; Spain € 119; Portugal € 129; Finland € 139.
- Outside the eurozone, Poland 349.95 Pln (€ 92); United Kingdom £65 (€ 96); Sweden 995Kr (€ 105); Slovakia 3990 Sk (€ 115); Denmark 899Kr (€ 120), Hungary 29,900 Ft (€ 120); Czech Republic 3490 CzK (€ 125); Romania 460 Rol (€ 141).

Import prices

Prices of furniture in the EU have been on a downward trend. Table 5.1 shows how average import prices have decreased between 2002 and 2006, especially intra-EU prices, which have been falling at a faster rate than developing country import prices. This is in part explained by lower prices from new member states. An important and recent trend is that import prices fell until 2004, but average import prices have been increasing since then. These trends should be interpreted with care, as changes in imports do not reflect the demand in these countries. Imports can change abruptly because of re-exports to neighbouring countries, building up stock by distribution centres for the following year, the establishment or departure of manufacturers or large retailers in a particular market etc...

Table 5.1 Developments in EU average import prices

	2002 ave price per '000 tonnes	2004 ave price per '000 tonnes	2006 ave price per '000 tonnes	ave. annual % change
Total EU imports	3.08	2.67	2.79	-2.4%
Intra EU	3.46	2.84	2.95	-3.9%
Developing countries	2.70	2.32	2.42	-2.7%

Source: Eurostat (2007)

Table 5.2 highlights the average prices of the selected product groups. It shows that average prices for DC exporters have been falling by more than other prices, with the possible exception of other furniture and dining and living room furniture.

Table 5.2 Developments in EU average import prices by product group

	2002 ave price per '000 tonnes	2004 ave price per '000 tonnes	2006 ave price per '000 tonnes	ave. annual % change
Total EU *furniture parts* imports	4.13	3.73	3.85	-1.7%
Developing countries	5.76	4.97	4.20	-7.6%
Total EU *other furniture* imports	2.42	2.15	2.04	-4.2%
Developing countries	2.12	1.79	1.88	-3.0%
Total EU *non-upholstered seating* imports	3.06	2.61	2.81	-2.1%
Developing countries	3.53	2.25	2.48	-8.4%
Total EU *dining & living room furniture* imports	2.41	2.17	2.13	-3.0%
Developing countries	2.27	1.99	2.07	-2.3%
Total EU *rattan* imports	3.41	1.89	2.51	-7.4%
Developing countries	3.10	2.47	2.28	-7.4%

Source: Eurostat (2007)

Table 5.3 shows that the average price developments are different by each importing EU country. Average prices decreased particularly in Austria, Portugal, Hungary and the UK. There are different explanations. Interestingly prices in the new member states from eastern Europe are not materially different from the established western EU economies.

Price increases were seen in Romania and Bulgaria, the newest members. This was to be expected, as their prices will rise in the next few years as their economies converge with the EU average. There were also price increases in Slovenia, Ireland and Greece. Highest import prices could be found in the UK and Slovenia.

Table 5.3 Developments in average import prices from developing countries in selected EU countries

	2002 ave price per '000 tonne	2004 ave price per '000 tonne	2006 ave price per '000 tonne	ave. annual % change
Germany	3.79	2.93	2.91	-6.4%
Italy	1.91	1.89	1.88	-0.4%
France	2.46	2.24	2.25	-2.2%
United Kingdom	6.62	4.66	4.66	-8.4%
Spain	2.47	2.10	2.21	-2.7%
The Netherlands	2.55	2.18	2.35	-2.0%
Belgium	2.87	2.25	2.33	-5.1%
Denmark	2.42	2.15	2.23	-2.0%
Sweden	2.47	2.17	2.21	-2.7%
Finland	2.33	1.89	2.12	-2.3%
Austria	7.36	4.58	2.04	-23.4%
Ireland	2.22	2.24	2.34	1.3%
Greece	2.00	1.99	2.10	1.2%
Portugal	3.82	2.49	2.06	-14.3%
Poland	2.50	1.92	1.83	-7.5%
Slovakia	2.36	2.43	1.81	-6.4%
Czech Republic	2.74	2.06	1.85	-9.4%
Hungary	3.47	2.10	2.00	-12.9%
Slovenia	3.15	4.15	8.11	26.7%
Cyprus	14.33	2.72	1.91	-39.6%
Estonia	2.57	2.14	2.19	-3.9%
Malta	na	2.74	2.06	-12.3%*
Romania	1.32	1.60	1.67	6.1%
Bulgaria	1.41	1.48	1.60	3.2%

Source: Eurostat (2007)
* 2004 figures/comparison 2004/2006

5.2 Useful sources

The increasing use of the Internet makes it much easier to compare retail prices. Care needs to be taken when comparing prices, as price promotions are a regular occurrence. Take care not to compare the same product when one is on promotion and one is not.

You can find out about wholesale prices at trade fairs. It is an increasing feature of trade fairs that trade or wholesale prices are on open display. Previously prices were for individual negotiation depending on the size of the buyer. This trend is more apparent at the lower end of the market.

A good link to wholesalers and wholesale prices in the UK is the Wholesale Suppliers Directory (http://www.the-wholesaler.co.uk/trade/distributor/Furniture_directory_of_UK_wholesale_distributors/).

Prices can also be found at leading department stores around Europe, such as El Corte Ingles in Spain (http://www.elcorteingles.es) or John Lewis in the UK (http://www.johnlewis.com).

Other sources of price information are:

- UEA - European Furniture Manufacturers Federation → Website giving information on trade and prices in the EU furniture industry: http://www.ueanet.com
- FENA – European Federation of Furniture Retailers → Business to business portal to access prices and a wide range of other trading issues, called Fenanet: http://www.fenanet.com
- IKEA store on-line → Web site giving information on retail prices of IKEA furniture items: http://www.ikea.com
- EUROSTAT – Statistics in Focus → This bulletin covers from time to time comparative price levels of consumer goods, including furniture in EU countries: http://europa.eu.int/comm/eurostat

6 Market access requirements

As a manufacturer in a developing country preparing to access EU markets, you should be aware of the market access requirements of your trading partners and the EU governments. Requirements are demanded through legislation and through labels, codes and management systems. These requirements are based on environmental, consumer health and safety and social concerns. You need to comply with EU legislation and have to be aware of the additional non-legislative requirements that your trading partners in the EU might request.

6.1 Legislative requirements

European legislation is compulsory for all products traded within the EU. Therefore, as an exporter in a developing country you have to comply with the legislative requirements that are applicable to your products. For information on legislation for domestic furniture, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select your market sector and the EU in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation.

6.2 Non-legislative requirements

Quality standards
There are National quality standards for furniture, which should not be neglected. For example, durability standards have been established relating to the resistance of products – surface resistance to dry heat, cold liquids and contracting movements. More information and addresses of standard organisations can be found in the CBI market surveys covering the market in individual EU countries.

Even if there is no official EU quality standard, you can find in the CBI market information database a document on the international requirements in the furniture industry, which reviews some important voluntary quality standards for furniture.

Within the furniture industry, buyers in most EU countries expect woods of an excellent quality e.g. kiln dried, free from pest, cracking, splitting and from full grown trees from well-managed forests. This will also depend on the furniture item and style, but this is of an increasing importance as e.g. many German consumers regret their cheap furniture purchase as these items have worn out fast, smelled strongly or deformed quickly, due to the use of woods from too young trees.

Quality, as well as social and environmental related market requirements are of growing importance in international trade and are often requested by European buyers through labels, codes of conduct and management systems. For information on non-legislative requirements applicable to domestic furniture go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select your market sector and the EU in the category search, click on the search button and click on your subject of interest under non-legislative requirements for an overview of all documents on the subject concerned.

Furniture sizes
The dimensions for domestic furniture vary considerably from country to country within the EU. In general, furniture sizes are smaller than those typically sold in the USA, where homes and individual rooms tend to be bigger than their European equivalents. Northern Europeans tend to be taller than Southern Europeans and so require larger furniture.

Always check the exact requirements for the prospective market with their importers. They are able to specify the best dimensions for their customer target group. The body sizes of Europeans are changing. This has become an issue for furniture manufacturers, particularly for beds, but also for chairs and tables to a lesser extent. People are generally becoming bigger and heavier. The issue of weight affects both the size and structure of seating.

As an example, the following list indicates available sizes of furniture in the Dutch market:

Table 6.1 Typical furniture dimensions in the Netherlands

Item	Feature	Dimensions / cms
Couches/lounge chairs	Seat height from ground Seat depth Total depth: chair Width: one seater Width: two seater Width: three seater Seat height from ground	32-45 40-55 80-100 80-110 160-210 200-230 43-47
Dining room chairs	Height	72-76
Dining tables	Round table diameter Square table diameter Rectangular/oval table, width Rectangular/oval table, length Width insert leaves Height	105-130 80-120 80-95 140-230 40-50 35-60
Occasional tables	Round table diameter Square table diameter Rectangular table diameter Total height	40-100 60-100 60-75 x 115-145 180-215
Bookcase, wall unit	Depth Width per unit Height per unit	35-50 60-90 40-120
Beds	Single bed diameter Double bed diameter Couch bed (convertible) diameter Couch bed seat height	80-90 x 200-220 140-200 x 200-220 120-140 x 200 40-47
Wardrobes	Height Width of units Depth	180-235 40-60-80-100-120 55-60

6.3 Packaging, marking and labelling

Packaging

Deliveries from developing countries generally have a long distance to go before reaching their destinations, therefore it is very important that close attention is paid to seaworthy and solid packaging. Furniture items can easily be damaged in transit by dampness or mishandling and must therefore be packed carefully and securely.

- In the case of RTA furniture, the packaging is extremely important because large quantities are usually involved and buyers want to be able to transfer goods from the port of destination straight into the retail outlet. In most cases, there should be no need for buyers to repair or to change the factory packing.
- On the other hand, rattan furniture only needs to be wrapped in corrugated paper at the corners or in damp-proof wrapping. It is very important to be aware that requirements

vary from country to country and to obtain information on the exact packaging needs directly from the prospective importer or buyer.

You can download information on requirements on packaging, marking and labelling in specific EU markets from the CBI website. Go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select your market sector and the EU country of your interest, click on the search button and click on the packaging related documents under non-legislative requirements or on the CBI market surveys on specific EU countries under sector surveys. You can also find here a packaging checklist for export.

Apart from the safety aspects and protection against damage, the focus of packaging is definitely on environmentally friendly transport - as well as sales-promotion packaging. This means, among other things, that it should be considered whether returnable systems could be used on a much greater scale than before.

Additional information on packaging can be found at the website of ITC on export packaging: http://www.intracen.org/ep/packaging/packit.htm

Labelling

With regards to labels there are forest certification schemes of which the Forest Stewardship Council (FSC) is recognised most. Although especially in Southern EU countries, the Pan-European Forest Certification Scheme (PEFC) increasingly gains support from the furniture industry. The PEFC was in 1999 specifically developed for the small forest owners in EU countries. Similar to the FSC, this scheme promotes forest to be managed sustainable by providing an assurance mechanism to buyers of wood and furniture. PEFC has 32 independent national forest certification systems in its membership. You can find further information in the CBI market surveys covering the market in individual EU countries or at the PECF website http://www.pefc.org

Tariffs

Up-to-date information on import tariffs and an updated list of least developed countries can be obtained from the Customs Authorities in Rotterdam, The Netherlands, through their online system, known as the Integrated Tariff of the European Communities (TARIC), at (http://www.douane.nl). Click on 'Business' and on 'Imports' where you will have to mention the HS code of the furniture item concerned - a detailed list of HS codes can be found in Appendix A. The global furniture trade is rather liberal and therefore most furniture items are free from duties. Import duty for kitchen furniture, parts is 2.5% and for seats and furniture of cane, osier or bamboo is 5.6%. Another source of information is the EU export helpdesk at http://export-help.cec.eu.int/.

Quota

There are no quantitative restrictions for imports of furniture. However, as a result of the EU Council regulation No 194/1999 of January 25, 1999, anti-dumping duties have been imposed on hardboard coming from some Eastern European countries e.g. Russia and Bulgaria.

Specific information with regards to each EU country you can find in the CBI market surveys covering the market in individual EU countries.

7 Opportunity or threat ?

An overview of the general opportunities and threats are given at the end of the chapters 1, 2 and 4 in this EU survey. Specific opportunities in each EU market can be found in Chapters 1 and 3 of the CBI market surveys on individual countries. However, to make the opportunities more realistic, it is important to be familiar with long-term trends. It is particularly important to be aware of trends when they change quickly. Although some trends are slow moving, others are very rapid, hence highly risky. Developing country exporters need to be in a position to anticipate and react quickly to these developments. Once the trend is clear it is important to know which target group in which country is involved.

Knowing the trends

- There is much information available on trends and you can find some of the main trends in this survey and seasonal trends in furniture consumer magazines.
- In order to understand the trends, i.e. where they come from and how long they will last, try to recognise the underlying demographic changes and consumer lifestyles. Try to identify a trend that may be suitable for your product. For example in certain countries, there has been an increase in the number of newly built dwellings, or a rise in single households. Some of these people may have travelled overseas, and may be more open to furniture from developing countries.
- You should be aware that not everybody follows trends. For every trend there is a counter-trend that presents untapped growth opportunities as well as potential threats.
- For example, there is an increase in the number of people who choose to purchase fashionable and technologically sophisticated furniture e.g. an Italian design couch, designed to show off their sense of style to others, and to make their enjoyment of their living more entertaining. On the other hand, there is another growing group of people who are choosing more simple and practical furniture which they can use for several purposes and can last for a long time; this could be even people in the high-income groups. The former trend may require quite luxury and well designed couch, while the latter may require a beanbag, which they can use in the living room but also in other rooms.
- It is important to know the trends that are already apparent in western and northern EU countries. The new member states lag behind the others in terms of the adoption of innovations. However, their integration into the EU has meant that this process will be speeded up.

Knowing your target group

Trends are about people, so you have to relate them to a target group. For example, as an exporter of furniture you can further segment the women's groups given in chapter 1.2 or relate them to their buying habits. Try to find which groups would be interested in your furniture, why and when they will buy, and if they are open to other cultures. For instance if you are an exporter of wooden tables you could differentiate your product range as follows:

- Small tables for single households to use as dining table in the open kitchen.
- Large tables with robust designs for families with young children.
- Tabletops of solid wood for RTA multi-functional tables with a metal frame for use in dining rooms, kitchens or to work on with the computer.

Identify your opportunities and threats

- Once you have selected and understood a trend, and when you have defined the target group who may be interested in your items, you are able to make the opportunities given in this survey more specific to your situation.
- You could start to look what sort of designs are common and think how you could integrate them in your own designs, which should have an additional original feature in terms of material, technique or style typical to your country. Also, consider other material such as fittings or locks, when exporting cabinets, which you may need to buy from another company in your own country or abroad. You can find these suppliers in trade magazines.
- It is important to note that the same opportunity for one developing country exporter

can also be a threat to another. For example, if you are a smaller company specialising

in small wooden stools, this may become a popular item for in the bathroom, especially in new rustic or classic styles this has a strong appeal. So there is an opportunity to export to e.g. the Czech Republic or to another new EU country, where younger people are starting to spend more on their bathroom.
Here it would be best to work with a Czech importer, who can adapt the design for his market, if required. Once your wooden stools are selling well in the Czech market, there may be a threat that the same importer, who wants to expand his business, will look for other suppliers. If he finds a competitor in your country who is larger and who can supply similar stools at a lower price, you may lose out, despite the investments you have made. Many EU countries switch country sources purely for competitive advantage.

- Try to find out which EU countries really offer an export opportunity. For example, if there is an opportunity to sell solid wooden cabinets in Germany, there may be a potential there. If your items are well designed, it may not matter much that you are relatively far from Germany, e.g. in Indonesia, if you are able to supply at a low price to outlets such as German department stores or discounters. But be aware that there are also many other furniture producers, who are closer to Germany (e.g. Morocco, Tunisia, Turkey etc..), who are eyeing the upturn in the German economy and who may be able to deliver similar wooden cabinets for men more quickly at even lower prices.
  Here this opportunity can be a threat for your business, as you may lose out due to tough price competition. See also Chapter 2 of the CBI Export guidelines for this sector.
- Therefore, you need to analyse the developments and trends discussed in the previous chapters to see if they constitute opportunities or threats.
- Instead of just focusing on a few large EU markets, it would be better to summarise all opportunities and threats you have found in this sector survey (25 countries) on matters such as: market development, your target group, market niches, trends in interior design, furniture designs, production trends, furniture trade flows, price developments, and last - but not least - tariffs and quotas. Once you have recognised your opportunities, you will have an idea, which are the best EU countries to approach.

Appendix A Product characteristics

Product groups

The products covered in this survey are domestic or household furniture items, both in finished and semi-finished form. It specifically excludes the contract sector, which includes furniture for civil aviation, offices, hospitals, schools, hotels and other similar purposes. Antique and other second-hand furniture has been excluded, as well as garden furniture. Furniture is usually divided by function into the following major groups:

Product groups	Most common items
Upholstered seating	- Armchairs, reclining chairs, couches, sofas, divans, footstools, seating elements upholstered with leather, wool, synthetic material, cotton etc;
Non-upholstered seating	- Seats, armchairs, rocking chairs, seats convertible into beds, stools;
Dining and living room furniture	- Dining sets (tables and chairs), dressers, coffee tables, sideboards, shelf systems, room dividers, television/ video/ music system storage units;
Kitchen furniture	- Fitted cabinets and kitchen units, kitchen tables and chairs, free-standing pieces such as moveable trolleys and butcher blocks;
Bedroom furniture	- Beds, headboards, bedside tables, dressing tables, chests of drawers, wardrobes (fitted or free-standing);
Home office furniture	- Desks, chairs, drawer unit, filing cabinets, integrated workstations, also known as *SOHO* (Small Office Home Office);
Other furniture	- *Cupboards, bookcases* and *wall units,* - *Occasional furniture* like small tables, desks, mirrors, hall-stands, - *Bathroom furniture* such as storage cabinets, baskets etc.;
Furniture parts	- Parts of furniture or seats, also including semi-finished furniture.

Although upholstered seating and kitchen furniture are sizeable segments in the EU furniture market, they are covered only briefly in this survey. The supply is dominated by Italy and Germany, who offer short lead times, good after sales service and are able to keep up with fast changes in designs. Although *upholstered furniture* is increasingly made in some developing countries (especially in China), it remains a difficult segment for most exporters.

Kitchen furniture is often made in Eastern European countries and the competition is on price and on short lead times, especially in the low to medium end of the market. Most furniture items are made of capital-intensive material such as chipboard, plywood, multiplex and MDF (Medium Density Fibreboard), being produced in large volumes and at low cost. In most EU countries, fitted kitchens have become more common and nowadays newly built homes come complete with fitted kitchen and appliances.

In addition to its function, furniture can be also defined by material content or by style:

Furniture by raw material

- **Wood**
- **Cane, osier, bamboo or similar material**
- **Metal**
- **Plastic / synthetic**
- **Stone**
- **Glass**
- **Combination of materials**

Furniture by style

- **Classic**
- **Colonial**
- **Rustic / country**
- **Contemporary**
- **Modern / avant garde**

RTA Furniture

The majority of furniture sold in the EU market is in ready-assembled form. On the other hand, from 1970 onwards the expansion of IKEA and other furniture chain stores (MFI, But) stimulated sales of furniture bought for self-assembly by the consumer. This category is also referred to as *ready-to-assemble (RTA)* furniture, *flat-pack* or *take-away* furniture and is often contemporary style furniture. The single term "RTA furniture" has been used throughout this survey to describe this category.

Furniture product groups according to HS and Prodcom codes

	HS CODE	DESCRIPTION	PRODCOM	DESCRIPTION
Upholstered seats	**9401610**	Upholstered seats with wooden frames	**36111259**	Upholstered seats with wooden frames (including three piece suites)
	9401710	Upholstered seats with metal frames	**36111179**	Upholstered seats with metal frames
Non-upholstered seats	**9401400**	Seats, convertible into beds	**36111210**	Seats, convertible into beds
	9401690	Seats with wooden frames	**36111290**	Seats with wooden frames
	9401790	Seats with metal frames	**36111190**	Seats with metal frames
	9401800	Other seats	**36111309**	Other seats
Kitchen furniture	**9403401**	Kitchen furniture, fitted	**36131050**	Wooden units for fitted kitchens
	9403409	Other wooden kitchen furniture	**36131090**	Other wooden kitchen furniture
Dining & living room furniture	**9403601**	Dining & living room furniture (excl seats), of wood	**36141250**	Dining & living room furniture (excl seats), of wood
Bedroom furniture	**9403500**	Wooden bedroom furniture	**36141230**	Wooden bedroom furniture
	94032091	Metal beds		(See below)
Other furniture	**9403609**	Other wooden furniture	**36141309**	Other wooden furniture
	94032099	Other metal furniture	**36141100**	Other metal furniture, inc metal beds
	9403709	Other plastic furniture	**36141439**	Other plastic furniture
Rattan furniture	**9401500**	Seats of cane, osier, bamboo or similar	**36111230**	Seats of cane, osier, bamboo or similar
	9403800	Furniture of cane, osier, bamboo or similar	**36141450**	Furniture of materials other than wood, metal or plastic
Furniture parts	**9401903**	Wooden parts of seats	**36111410**	Wooden parts of seats
	9401908	Parts of seats of other materials	**36111430**	Parts of seats of other materials, including aircraft seats
	9403901	Metal parts of furniture	**36141530**	Metal parts of furniture
	9403903	Wooden parts of furniture	**36141550**	Wooden parts of furniture
	9403909	Other parts of furniture	**36141590**	Other parts of furniture

Statistical product classification

Prodcom and Combined nomenclature (CN)
In this survey two different sets of statistical data are used. Both sets have been provided by Eurostat, the statistical body of the EU.

The first set is derived from Prodcom. The term Prodcom is derived from PRODucts of the European COMmunity. This is a survey based on products whose definitions are standardised across the EU to allow comparability between the member states' data. Prodcom covers some 4,800 products that are assigned to some 250 industries (subclasses) as defined by the Standard Industrial Classification (SIC). Prodcom data contains production, imports and exports. Based on this data apparent consumption can be calculated as follows: apparent consumption = production + imports - exports.

The second set is the trade data based on the Combined Nomenclature. The abbreviation CN stands for Combined Nomenclature. This Combined Nomenclature contains the goods classification prescribed by the EU for international trade statistics. The CN is an 8-digit classification consisting of a further specification of the 6-digit Harmonised System (HS). HS was developed by the World Customs Organisation (WCO). The system covers about 5,000 commodity groups, each identified by a six-digit code. More than 179 countries and economies use the system.

Statistical data: limitations

Trade figures quoted in CBI market surveys must be interpreted and used with extreme caution.

In the case of intra-EU trade, statistical surveying is only compulsory for exporting and importing firms whose trade exceeds a certain annual value. The threshold varies considerably from country to country, but it is typically about € 100,000. As a consequence, although figures for trade between the EU and the rest of the world are accurately represented, trade within the EU is generally underestimated.

Furthermore, the information used in CBI market surveys is obtained from a variety of sources. Therefore, extreme care must be taken in the qualitative use and interpretation of quantitative data. It puts limitations to in-depth interpretation of relations between consumption, production and trade figures within one country and between different countries.

The HS classification given differs from the product groups and products mentioned in the paragraphs above, this puts limitations to in-depth interpretation and of the possible relations between import and export figures on the one hand and consumption and production figures on the other hand.

Appendix B Introduction to the EU market

The European Union (EU) is the current name for the former European Community. Since January 1995 the EU has consisted of 15 member states. Ten new countries joined the EU in May 2004. In January 2007 two more countries – Bulgaria and Romania - joined the EU. Negotiations are in progress with a number of other candidate member states. In this survey, the EU is referred to as the EU27, unless otherwise stated.

Cultural awareness is a critical skill in securing success as an exporter. The enlargement of the EU has increased the size of the EU, and also significantly increased its complexity. With more people from culturally diverse backgrounds, effective communication is necessary. Be aware of differences in respect of meeting and greeting people (use of names, body language etc.) and of building relationships. There are also differences in dealings with hierarchy, presentations, negotiating, decision-making and handling conflicts. More information on cultural differences can be found in chapter 3 of CBI's export manual 'Exporting to the EU (2006)'.

General information on the EU can also be found at the official EU website http://europa.eu/abc/governments/index_en.htm or the free encyclopaedia Wikipedia http://en.wikipedia.org/wiki/Portal:Europe.

Monetary unit: Euro

On 1 January 1999, the Euro became the legal currency within eleven EU member states: Austria, Belgium, Finland, France, Germany, Italy, Ireland, Luxembourg, The Netherlands, Spain, and Portugal. Greece became the 12th member state to adopt the Euro on January 1, 2001. Slovenia adopted the Euro in 2007. Cyprus and Malta are scheduled to adopt the Euro in 2008 and Slovakia is scheduled for 2009. Since 2002 Euro coins and banknotes replaced national currency in these countries. Denmark, United Kingdom and Sweden have decided not to participate in the Euro.

In CBI market surveys, the Euro (€) is the basic currency unit used to indicate value.

Table 1 Exchange rates of EU currencies in €, average yearly interbank rate

Country	Name	Code	2006	Oct 2007
Bulgaria	Lev	BGN	1.96	1.96
Cyprus	Pound	CYP	0.57	0.58
Czech Republic	Crown	CZK	28.3	27.55
Denmark	Crown	DKK	7.46	7.45
Estonia	Crown	EEK	15.65	15.65
Hungary	Forint	HUF	265	251.6
Latvia	Lats	LVL	0.69	0.71
Lithuania	Litas	LTL	3.45	3.45
Malta	Lira	MTL	0.43	0.43
Poland	Zloty	PLN	3.92	3.70
Romania	New Lei	ROL	3.29	3.36
Slovakia	Crown	SKK	36.5	34.01
Sweden	Crown	SEK	9.2	9.11
United Kingdom	Pound	GBP	0.68	0.69

Source: Oanda http://www.oanda.com/ (Oct 2007)

Appendix C List of developing countries

OECD DAC list - January 2006
When referred to developing countries in the CBI market surveys, reference is made to the group of countries on this OECD DAC list of January 2006.

Afghanistan	Gabon	Nepal	Uruguay
Albania	Gambia	Nicaragua	Uzbekistan
Algeria	Georgia	Niger	Vanuatu
Angola	Ghana	Nigeria	Venezuela
Anguilla	Grenada	Niue	Vietnam
Antigua and Barbuda	Guatemala	Oman	Wallis & Futuna
Argentina	Guinea	Pakistan	Yemen
Armenia	Guinea-Bissau	Palau	Zambia
Azerbaijan	Guyana	Palestinian Admin. Areas	Zimbabwe
Bangladesh	Haiti	Panama	
Barbados	Honduras	Papua New Guinea	
Belarus	India	Paraguay	
Belize	Indonesia	Peru	
Benin	Iran	Philippines	
Bhutan	Iraq	Rwanda	
Bolivia	Jamaica	Samoa	
Bosnia & Herzegovina	Jordan	Sao Tome & Principe	
Botswana	Kazakhstan	Saudi Arabia	
Brazil	Kenya	Senegal	
Burkina Faso	Kiribati	Serbia	
Burundi	Korea Rep. of	Seychelles	
Cambodia	Kyrgyz Rep.	Sierra Leone	
Cameroon	Laos	Solomon Islands	
Cape Verde	Lebanon	Somalia	
Central African Rep.	Liberia	South Africa	
Chad	Libya	Sri Lanka	
Chile	Macedonia	St. Helena	
China	Madagascar	St. Kitts Nevis	
Colombia	Malawi	St. Lucia	
Comoros	Malaysia	St. Vincent & Grenadines	
Congo Democratic Rep.	Maldives	Sudan	
Congo Rep.	Mali	Suriname	
Cook Islands	Marshall Islands	Swaziland	
Costa Rica	Mauritania	Syria	
Cote d'Ivoire	Mauritius	Tajikistan	
Croatia	Mayotte	Tanzania	
Cuba	Mexico	Thailand	
Djibouti	Micronesia, Fed. States	Timor-Leste	
Dominica	Moldova	Togo	
Dominican Republic	Mongolia	Trinidad & Tobago	
Ecuador	Montenegro	Tunisia	
Egypt	Montserrat	Turkey	
El Salvador	Morocco	Turkmenistan	
Equatorial Guinea	Mozambique	Turks & Caicos Islands	
Eritrea	Myanmar	Tuvalu	
Ethiopia	Namibia	Uganda	
Fiji	Nauru	Ukraine	

CBI countries – January 2007:

CBI supports exporters in the following Asian, African, Latin American and European (Balkan) countries:

Albania
Armenia
Bangladesh
Benin
Bolivia
Bosnia-Herzegovina
Burkina Faso
Colombia
Ecuador
Egypt
El Salvador
Ethiopia
Georgia
Ghana
Guatemala
Honduras
India
Indonesia
Jordan
Kenya
Macedonia
Madagascar
Mali
Moldavia
Montenegro
Morocco
Mozambique
Nepal
Nicaragua
Pakistan
Peru
Philippines
Rwanda
Senegal
Serbia
South Africa
Sri Lanka
Suriname
Tanzania
Thailand
Tunisia
Uganda
Vietnam
Zambia