CBI MARKET SURVEY

The Natural Stone and Stone Products Market in the United Kingdom

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Report summary

This CBI market survey discusses the following highlights for the natural stone market in the United Kingdom:

- The moderate size of the British stone sector is compensated by production and consumption growth rates which are one of the highest in Europe.
- This dynamism is also translated to the importance of imports since the UK has become the 3rd largest EU importer of natural stone.
- The forecasted duration of growth in the British stone sector should continue, benefiting DC and confirming the UK as the second largest EU importers of stones from this area.

This survey provides exporters of natural stone with sector-specific market information related to gaining access to the UK. By focusing on a specific country, this survey provides additional information, complementary to the more general information and data provided in the CBI market survey 'The Natural Stone and Stone Products Market in the EU', which covers the EU market in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo

Note: In the chapters about consumption and production, we refer to 3 product groups:

- Blocks and Slabs
- Landscape Design
- Monumental and Funeral

The last group (Monumental and Funeral) is an aggregate of 2 sub product groups that will be addressed separately in the Import/ Export section: Flooring and Cladding and Funeral and other arts. For more explanation about the product group segmentation, please refer to the Appendix A of the CBI market survey 'The Natural Stone and Stone Products Market in the EU'.

1 Market description: consumption and production

Consumption

- Note: due to data availability, only the consumed volume of Monumental and Funeral could be calculated (no production data for Blocks and Slabs and Landscape Design).
- In 2004, the British consumption of Monumental and Funeral stone represented 945 thousand tones worth € 741 millions.
- In absolute value, the UK is the fourth biggest consumer of this product group in Europe with 3% of all natural stone products consumed in Europe. It ranks behind Italy (48%), Germany (24%) and Spain (15%).
- This rank can be explained by the fact that the UK consumption per head in square meters (0.15) is one of the lowest in Europe. In comparison, the Italian and Swiss consumption are 1.1 and 1.5 square metres respectively.
- The UK consumes 1.9% of the worldwide production of natural stone (all product groups), thereby being the 12th largest consuming country of the EU.[1]
- Over the period 2002-2004, the British consumption has increased yearly by about 11%.
- This significant increase in the consumption of Monumental and Funeral stone has been sustained for 11 years of uninterrupted growth of the construction industry. Still 2005

1 Sources: Stone 2006, World Marketing Handbook; www.marble.com

has seen the output in this sector falling by more than 1%, but sector associations expect that the progressive recovery that started in 2006 (+3%)[2] should make the British construction sector the first in Europe in front of Spain and Germany.[3] This growth is fuelled by a booming non-residential market (as an example, the UK office market is the largest in the EU), and a recovering civil and engineering sector. Therefore, it is expected that the natural stone consumption continues to increase.
- Good growth opportunities are seen for the British domestic consumption since many European manufacturers have already compensated their losses on the German market through gains in the UK. The main potential for improvement is seen in increasing the natural stone consumption per head of the population, associated with a growth of 2.7 per cent in 2006 in the gross national product, which is slightly above the EU average.[4]

Table 1.1 UK consumption split into product categories 2002 – 2005; Value in € million; volume in 1,000 tonnes.

	2002		2003		2004	
Product category	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**
Monumental building stones, funeral and other art	623	627	745	725	766	710

Source: Eurostat (2006)

Market Segmentation

The British market can be divided into the following segments of users of natural stone:
- Natural stone processing industry; processes blocks and slabs of natural stone into finished products to supply to the market segments below. Mainly consist of small to medium-sized to large companies whose market share is decreasing because of cheap finished products from (developing) countries.
- Building industry; using natural stone in a wide variety of applications for interior design as well as exterior coverings. The building industry is by far the biggest consumer of natural stone (about 70% of the consumption of all natural stones in the UK.
- Funeral industry; is a retail sector that sells funerary art like tombstones, gravestones and urns to the consumer. Natural stone for funeral art is very common in the UK but only consumes about 8% of natural stones products.
- Other retail (consumer market): include garden centres and interior design sector.

Consumption trends

- The most important application for natural stone in England is structural building. Investments in the past years have increased significantly, especially in the private building sector, and are also accompanied by an appreciable growth in the share of natural stone for exterior and interior use, mainly for slate roofs and for facades. Kitchen worktops and washbasins of natural stone are also increasing slightly, especially in middle-class homes, although laminates still hold a share of 80 per cent. In the public sector there is also a noticeable trend towards natural stone for floor covering or shop fitting.[5]
- The British memorial industry is trying to find ways out of the unfavourable consumption trends: cremation is gaining ground versus burials (70% versus 30%); the death rate is decreasing as the life expectancy is increasing; burials prices have fallen because of an emerging demand for more accessible memorial stones, which benefits imported stones; and finally "Woodland Burials" (planting a tree in special sections of cemeteries or forests) are gaining ground and should reach 10% within 10 years. In order to counteract those negative prospects, the industry is trying to increase the

2 Source: www.naturestonespecialist.com
3 Source: http://www.designbuild-network.com/
4 Source: www.stonereport.com
5 Source: www.stonereport.com

number of memorial stones sold for cremations, to develop a more selective and custom-made offer and to diversify the material and design of burial stone (which is restricted by church yards or Municipal cemeteries).[6]
- The Stone Federation Great Britain has decided to develop the environmental credentials of natural stone in the near future. This orientation is considered a 'must' if the sector wants to answer the arising sustainability concerns. According to its current president, stone needs to set out its sustainability credentials not just to grow, but to survive and if it does not want to face a similar scenario to that of the timber industry and rain forests.[7]

Production
- Note: no production data for Blocks and Slabs and Landscape Design is available for the UK.
- In 2004, the UK produced 369 thousand tones of Monumental and Funeral products worth € 483 millions.
- To this extend, the UK is the 6th largest European producer of Monumental and Funeral stone with 1% of the total EU production, behind Italy (50%), Germany (20%), Spain (17%), Portugal, Hungary (both of them 3%).
- The British production of Monumental and Funeral stone has increased on average by 2% per year between 2002 and 2004, a good progression if compared to the modest results of other traditional EU producers such Italy (-4%) or Spain (1.5%).
- This evolution should be sustained in the near future due to a raising local demand and the dynamism of the local processing industry.
- Still, the domestic capacities for quarrying and processing remain too small to cover the domestic demand. Moreover, the prices for imported raw blocks and finished products are also considerably lower than products originating from the UK.

Table 1.2 UK production split into product categories 2002 – 2004; Value in € million; volume in 1,000 tonnes.

	2002		2003		2004	
Product category	**Volume**	**Value**	**Volume**	**Value**	**Volume**	**Value**
Monumental building stones, funeral and other art	354	446	434	525	369	483

Source: Eurostat (2006)

- Some interesting British players for exporters in Developing countries (DC) are listed below. Those companies do not per se represent the biggest actors in the UK, but illustrate how the British market is structured and what its requirements are.
  - **Realstone:** an important company that provides an all inclusive service (quarrying, processing, design, installation restoration) http://www.realstone.co.uk/
  - **Johnsons Wellfield Quarries**: this company locally quarries natural stone. Its site illustrates the range of applications for construction purposes. http://www.myersgroup.co.uk/jwq/
  - **The National Association of Memorial Masons:** go to 'Down load' for a specification guide for British memorial art. http://www.namm.org.uk/

Opportunities and threats

\+ A dynamic construction sector has been pulling the stone consumption since a decade.
\+ The growth in the consumption of Monumental and Funeral stones is expected to go on in the near future.
\- One of the lowest consumption rates per head in the EU.
\- On the EU scale, the UK market size remains limited.

[6] Source: www.litosonline.com
[7] Source: www.naturestonespecialist.com

Note that the above mentioned opportunities and threats do not necessarily apply to your situation. Therefore, please use the developments and trends discussed in the previous chapters to make your own analyses. Let that determine whether the above mentioned opportunities and threats apply to your situation. For an example of such an analysis, please refer to chapter 7 of the CBI market survey 'The Natural Stone and Stone Products Market in the EU'.

Useful sources

- **Stone Federation Great Britain**

http://www.stone-federationgb.org.uk/
This trade association provides guidance and works as an interface between actors that intervene in the stone industry.

- **Natural Stone specialist**

http://ccgi.qmjpub.plus.com/nss/index.htm
This is the on-line magazine of the UK stone industry. `

- **Tile and stone journal**

http://www.tileandstonejournal.com/
This printed magazine (per subscription) provides information about the British stone industry.

2 Trade channels for market entry

For a precise description of the trade channel in the natural stones sector, please refer to chapter 3 of the CBI market survey 'The Natural Stone and Stone Products Market in the EU'.

Trade channels

The most important trade channels in the UK are:

- **Wholesaler/importers**: buy their natural stone directly from supplying countries. The market, shared by small, medium and large sized companies can be divided into two types: the ones catering to the building sector and the ones catering to the funeral industry.
  - Gerald Culliford: an importer and wholesaler of natural stone (Blocks and Slabs and tiles).
    http://www.geraldculliford.com//
  - Mandarin stone: known as one of the largest importers and stockists of natural stone tiles in the U.K
    http://www.mandarinstone.com/index.php
  - Lapicida: imports and distributes finished natural stone products
    http://www.lapicida.com/index.html
  - Khotah stone: an importer of natural stone paving products
    http://www.khotahstone.com/index.html
- **Retailers**: mainly buy from wholesaler/importers; however large retailers are also known to buy from supplying countries directly.
  - Stone production: processes and install natural stones for habitation projects (go for example to 'products/ granite')
    http://www.stoneproductions.co.uk/
  - Hardscape: provides urban construction material, amongst other a selective range of natural stone products
    http://www.hardscape.co.uk/home.asp
  - Stone and brick: an important retailer of intermediate and finished products
    http://www.stoneandbrick.co.uk/index.asp
- **Natural stone processing industry**: buys from wholesalers/importers or depending on the size of the company directly from supplying countries. These companies mainly supply retailers and consumers with processed stone.
  - Dunhouse: a company quarrying and processing natural stone for construction applications.
    http://www.dunhouse.co.uk/home.htm

- Midland marble: processes natural stone for interior and exterior construction work
  http://www.midlandmarbleltd.com/

Price structure

- Throughout the various trade channels, different prices and margins apply. The different prices per trade channel in the EU are almost identical in the different EU Member States. Therefore, please refer to chapter 3 of the CBI survey 'The Natural Stone and Stone Products Market in the EU' for an overview of prices and margins.

Selecting a suitable trading partner

- Wholesalers/importers and other importing parties in the UK either deal directly with producers in the supplying country or imports through agents from the supplying country.
- The importers/wholesalers or processing industries that establish a direct relationship with producers are often bigger importing parties that can afford the extra costs of a direct relation (travel costs, translators etc.).
- The list below indicates internet sites where exporters can search for prospects in the UK in order to establish a direct contact with UK importers.
  - **UK directories**
    Stone Federation Great Britain: http://www.stone-federationgb.org.uk/
    Go to 'How to find a member' and search according to the proposed criteria.
    Natural stone specialist Directory: http://ccgi.qmjpub.plus.com/nss/nsd.htm
    On this site, you can buy the 2006-2007 directory of the UK stone sector.
  - **International directories**
    Euro pages: http://energy-raw-materials.europages.net/en/
    Marble in The World: http://www.marbleintheworld.com/
- In numerous cases, UK importing parties also use agents in the supplying country. These agents find producers and compare the quality and prices of the product keeping in mind what is requested by the importers in the UK. Therefore it is also sensible for producers from DC to get in contact with the agents in their own country in order to access the British market.

3 Trade: imports and exports

Imports

Total imports

- In 2005, the UK imported 2,257 thousand tones of natural stone, worth € 460 million.
- To this extend, the UK is the 3rd largest EU importer of natural stone coming from all partner countries with 15% all EU imports. The principal importers are Italy (17%) and Germany (16%). The UK ranks before France (13%), Spain (9%), Belgium (8%) and the Netherlands (6%).
- Whereas the average yearly growth rate of imports of the above-mentioned EU Top 5 importers has increased by 4.3% over the 2002-2004 period, the British imports have risen by more than 14%. To this extent, the UK has by far the highest import growth amongst the biggest EU importers (next Top 5 importing country is France with an import growth of about 6%).
- About half (47%) of the stone imported to the UK originates in DC while the other half of the British imports originates in intra-EU countries (46%), with Spain and Italy providing respectively 18 and 15% of the UK import of natural stone.
- DC have a moderate share in the UK imports in comparison with their important share in the imports of most other EU countries. One of the reasons for this is the nature of the British demand, such as the significant market share of finished products made of slate (advantaging the Spanish, Italian or Norwegian supply for example).[8]

[8] www.stonereport.com

- Still in absolute value, the UK remains the 2nd European importer of natural stone from DC (after Italy) absorbing 14% of the supply from DC.
- Over 2002-2005, the share of DC in the British imports has increased on average by 30% annually, while the total UK imports have increased by 14%. This indicates that the dynamism of the British stone consumption benefit DC more than other partners. This progression can be seen within both the intermediate and finished products.
- India (20% of the imported value), China (13%), Turkey (8%), and Brazil (3%) are the main supplying DC (See table 3.1 below).

Imports by product group

- The UK mainly imports Finished Products, representing 69% of all its imports, while Intermediate Products represent the remaining 31%. Below find the break down per product group:
    - Blocks and Slabs: 31%, India being the main supplier (29%), Italy (17%), China (14%), Norway (13%) and Turkey (6%). Those intermediates products are supplied mainly by DC (53%).
    - Flooring and Cladding: 31%, Here, Spain (42% of the Flooring and Cladding product imports to Spain), Turkey (10%), Chine (10%), India (9%), and Brazil (9%) are the most important suppliers.
    - Funeral and Other Arts: 31%, Italy, China, India, Spain, Turkey account respectively for 28%, 15%, 12%, 10% and 8% of the exports to Spain.
    - Landscape Design: 7%, DC provide a significant share (84%), with India and China sharing more than 80% of it.
- The high rate of import of intermediate products is due to the fact that the British domestic production does not meet the UK processing capacity and the demand of the expanding UK consumption.
- Both for intermediate and finished products, suppliers from DC are directly competing with traditional EU countries such as Spain or Italy. Still, the growing share of DC illustrates the growing sensitivity of the British market to their price competitiveness.

Table 3.1 Imports by and leading suppliers to the UK 2002 - 2006, share in % of value

	2002 € mln	2003 € mln	2004 € mln	2005 € mln	Leading suppliers in 2005 Share in %	Share (%)
Total natural stones	306	62	68	460		
Intra EU25	183	41	40	213	Spain (18%), Italy (15%), Portugal (4%), Germany (2%), Belgium (2%)	46
Extra EU and DC	25	1	1	31	Norway (4%), Canada (1%), Israel (1%), Hong Kong (0.4%), USA (0.4%)	7
From DC's	98	19	27	216	India (20%), China (13%), Turkey (8%), Brazil (3%), South Africa (0.5%), Iran (0.4%), Pakistan (0.2%), Vietnam (0.2%), Palestinian Admin. Areas (0.2%), Argentina (0.2%)	47
Blocks and Slabs	88	13	14	145		
Intra EU25	39	7	6	48	Italy (17%), Spain (5%), France (2%), Portugal (2%), Greece (2%)	33
Extra EU and DC	16	0	0	20	Norway (13%), Hong Kong (0.5%), Israel (0.2%), U.A. Emirates (0.1%), Taiwan (0.1%)	14

From DC's	33	5	7	76	India (29%), China (14%), Turkey (6%), Brazil (1%), South Africa (0.5%), Iran (0.3%), Pakistan (0.2%), Saudi Arabia (0.1%), Gaza + Jericho (0.1%), Peru (0.1%)	53
Flooring and Cladding	97	32	35	141		
Intra EU25	73	28	28	79	Spain (42%), Italy (4%), Portugal (2%), Ireland (2%), Fr Germany (2%)	56
Extra EU and DC	4	0	0	6	Canada (2%), Israel (0.7%), Bulgaria (0.5%), USA (0.4%), Hong Kong (0.2%)	4
From DC's	21	3	7	56	Turkey (10%), China (10%), India (9%), Brazil (9%), Vietnam (0.5%), Argentina (0.4%), South Africa (0.3%), Pakistan (0.2%), Egypt (0.2%), Indonesia (0.2%)	39
Funeral and Other Arts	103	14	15	141		
Intra EU25	67	6	5	82	Italy (28%), Spain (10%), Portugal (7%), Fr Germany (4%), Belgium (4%)	58
Extra EU and DC	4	0	0	3	Taiwan (0.6%), Israel (0.6%), USA (0.3%), Hong Kong (0.2%), U.A. Emirates (0.1%)	2
From DC's	33	8	10	56	China (15%), India (12%), Turkey (8%), Brazil (1%), Iran (0.9%), South Africa (0.6%), Gaza + Jericho (0.4%), South Korea (0.4%), Pakistan (0.3%), Indonesia (0.3%)	40
Landscape design	17	3	4	33		
Intra EU25	5	0	0	3	Portugal (6%), France (2%), Italy (0.8%), Spain (0.7%), Germany (0.5%)	10
Extra EU and DC	1	1	0	2	USA (2%), Israel (2%), Hong kong (1%), Romania (0.6%), Bulgaria (0.3%)	6
From DC's	11	2	3	28	India (64%), China (16%), Turkey (3%), Argentina (0.5%), South Africa (0.2%), Iran (0.1%), Egypt (0.1%), Brazil (0.03%), Uganda (0.02%)	84

Source: Eurostat (2006)
*Developing Countries

Exports

- In 2005, the UK exported 58 thousand tones of natural stone, worth €41 million.
- The UK is only the 10th European exporter of natural stone at the EU level representing 1% of EU 25 exports. The top 5 EU exporters are Italy (46%), Spain (24%), Portugal (6%), Belgium (5%) and France (3%).
- Between 2002 and 2005, the British exports have increased by 16% in value (yearly average growth rate). This high growth rate should be put into perspective by the relatively modest size of British exports.

Table 3.2 UK export of natural stone 2002 – 2005; Value in € million; volume in 1,000 tonnes.

2002		2003		2004		2005	
Volume	Value	Volume	Value	Volume	Value	Volume	Value
35	26	42	30	44	35	58	41

Source: Eurostat (2006)

Opportunities and threats

+ The 3rd EU importer of natural stone and the 2nd EU market for DC.
+ The highest import growth of the Top 5 importers.
+ A growing share of DC in the imports of the UK, both for intermediate and finished products, sustained by the increasing price sensitivity of the British users.
- Due to the nature of the British demand (strong demand in slate products for example), DC are competing with other EU stone providers.
- The important presence of Italian and Spanish suppliers in the British import of finished products also demonstrates knowledgeable consumers and quality requirements of the British consumption.

Note that the above mentioned opportunities and threats do not necessarily apply to your situation. Therefore, please use the developments and trends discussed in the previous chapters to make your own analyses. Let that determine whether the above mentioned opportunities and threats apply to your situation. For an example of such an analysis, please refer to chapter 7 of the CBI market survey 'The Natural Stone and Stone Products Market in the EU'.

Useful sources

- Natural Stone Specialist

http://ccgi.qmjpub.plus.com/nss/newsdesk/search.htm ➔ search articles per issue.
- 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

4 Prices developments

In most EU countries, the average unit price level of natural stone and natural stone products has been falling over the last 10 years. This declining trend has affected the British export prices of intermediate and finished products. More significantly the import prices of natural stone have severely decreased between 2002 and 2005: the price of calcareous Blocks and Slabs have been divided by almost 3, the price of siliceous Blocks and Slabs of finished products by about 1.3.
Those general trends should be taken with caution: natural stone prices can highly fluctuate in the short term depending on the type of stone products (intermediate or finished), the stone nature, the product quality, the production costs, and exchange rates.
Therefore, it is recommended to regularly check current prices of natural stone in the UK through direct contact with importers. Some indication of prices can be found on the following sites:

- http://www.mandarinstone.com/index.php
  ➔Select the type of product to consult the selling price.
- http://www.justmarble.co.uk/
  ➔Select the type of material to consult the price (marble imported from Spain and China)
- http://www.findstone.com/
  ➔ go to 'Price List´ in the `For buyers´ section
  ➔ Select the type of material, then scroll down to the UK.

- http://www.stoneource.com/
  ➔ go to 'stone selector' in the left side
  ➔ make a selection per material, price range or other criteria.

5 Market access requirements

As a manufacturer in a developing country preparing to access the UK, you should be aware of the market access requirements of your trading partners and the UK government. 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.

For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select natural stone products and the UK in the category search, click on the search button and click on market access requirements.

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

Information on tariffs and quota can be found at http://export-help.cec.eu.int/
Information on eco-labelling and packaging legislation is included in the CBI market information database.

6 Doing business

General information on doing business like approaching potential business partners, building up a relationship, drawing up an offer, handling the contract (methods of payment, and terms of delivery) can be found in CBI's export manuals 'Export Planner' and 'Your image builder'. Furthermore cultural awareness is a critical skill in securing success as an exporter. Information on cultural differences in the EU can be found in chapter 3 of CBI's export manual 'Exporting to the EU'. These manuals can be downloaded from http://www.cbi.eu/marketinfo - go to search publications.

The stone British market is internationally oriented and most actors are used to trading with foreign suppliers. This makes it easier for exporters from DC to approach a potential British client. The increasing price sensitivity of natural stone users and the important share of EU suppliers in the British market also mean that high price competitiveness should be coupled with high quality standards.
Also, since communicating issues are renowned to be a crucial aspect of a successful trading relation in the natural stone industry, it is recommended to pay significant attention to building a relationship based on trust and a high degree of professionalism.
Moreover, in a market where competition is fierce and margins are small, it is becoming increasingly important to be a reliable partner. Respecting delivery and quality conditions are crucial for your trading partner and necessary for developing a long-term business relationship.

Establishing first contact with players of the British natural stone sector can be done through the numerous regional sector associations, but especially by visiting British trade fairs. In addition, an individual approach, an internet search is recommended (British business directories or British or international specialised stone websites). One can also decide to go through an agent in his/her country, who will represent the products of his/her clientele at trade fairs.

Useful sources

- **Stone Federation Great Britain**
  http://www.stone-federationgb.org.uk/
  This trade association provides guidance and works as an interface between actors that intervene in the stone industry.
- **Natural Stone Show**
  http://www.stoneshow.co.uk/
  The showcase event for the UK stone industry with over 300 companies exhibiting from over 40 countries.
- **The tile and Stone show**
  http://www.thetileandstoneshow.co.uk/
  This medium-scale fair gathers not only stones manufacturers but also other related professionals.
- **Interbuild**
  http://www.interbuild.com/
  The international fair of the British construction sector.

This survey was compiled for CBI by CREM BV.