CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN FINLAND

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Introduction

This CBI market survey gives exporters in developing countries information on some main developments on the domestic furniture market in Finland. The information is complementary to the information provided in the CBI market survey 'The domestic furniture market in the EU' which covers the EU 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.nl/marketinfo

1. Market description: consumption and production

Consumption

- The domestic furniture market in Finland is valued at € 1,225 million in terms of retail sales.
- This is the thirteenth largest in the EU and is similar to a cluster of other countries, including Greece, Portugal and Denmark. The introduction of the Euro caused price rises and the sector has faced declining revenues due to competitively priced imports.

Table 1.1 Consumption of domestic furniture in Finland, 2001-2005, € million

	2001 €m	2003 €m	2005 €m	Population (million)	Consumption per capita €	Households (000's)	Occupants per h/h
Finland	1,070	1,160	1,225	5.2	235	2,402	2.2

Source: National Trade Associations, Euromonitor, Eurostat (2006)

- Consumption continues to increase at a faster rate than the EU average, particularly kitchen furniture.
- Further increases higher than the European average are forecast in the coming years, although the increasing price sensitivity in the market will limit the value of any increases in volume.
- In terms of the selected product groups, it is estimated that upholstered furniture is the largest group, accounting for 26% of sales; dining and living room furniture 21%; kitchen furniture 18%; bedroom furniture 12% and other furniture 23%.

Production

- In 2005, furniture production in Finland was valued at € 913 million. This represents a small increase after falls in production in recent years.

Table 1.2 Production of domestic furniture by Finland, 2001- 2005, € million

	2001 value	2003 value	2005 value*	Average % change in value	Number of companies 2004	Number of employees 2004
Finland	905	886	913	+1.0	1,500	8,750

Source: UAE
*estimated

- According to Eurostat, the volume of Finnish production was 7.2 million items in 2003, of which 4.6 million were kitchen furniture and 1.4 million dining and living furniture items.
- Finland has a good international reputation for furniture production based on technologically

advanced, innovative designs.
- Recent increases have been in dining and living room furniture production. The industry that is reliant on domestic consumption is facing competitive pressures from Baltic States and others in the future.

Trends
- Design styles are changing. Previously Scandinavian design was dominant. Now central European styles are more accepted. This has included a move from simple, clear design with light woods and soft colours, to stronger colours and the use of different types of textiles for decoration. Convertability of furniture is now important.
- Domestic manufacturers are increasingly working with overseas partners to increase their competitiveness and help their export marketing. The industry has not been operating at full capacity and this is part of their strategy looking forward. Networking, automation, new media, lifestyle markets, exports, high-tech and high design are the buzzwords of the Finnish furniture industry.

Opportunities and threats
- It is not clear whether the domestic production industry is properly geared to satisfy the future growth in domestic consumption.
- In particular, the changing styles of the Finnish public may provide opportunities for exporters from developing countries who are able to meet the quality standards and aspirations for high design.
- The major threat is competition from other importers such as the Baltic States and Russia.

Useful sources
- The Association of Finnish Furniture and Joinery Industries – http://www.puusepanteollisuus.fi
- The Association of Finnish Furniture Retailers - http://www.suomenhuonekalukaupanliitto.fi
- The Finnish Furniture Association – http://www.finnishfurniture.com
- Statistics Finland – http://www.stat.fi/index_en.html
- The German Office for Foreign Trade has produced a report on the Finnish furniture market – http://www.bfai.de

2. Trade: imports and exports

Imports
- In 2005, Finland's imports of domestic furniture were valued at € 289 million or 108,000 tonnes. Finland was the eighth smallest EU importer by value and the ninth smallest by volume. This is broadly the same level of imports as Ireland, Greece, Hungary, Slovakia and Slovenia.
- Imports increased by 19% in value and 61% in volume between 2001 and 2005. Imports exceeded exports by 32% in value and by 46% in volume. Imports are increasing at a faster rate than exports, which have started to decline. Imports have been satisfying the growing domestic consumption, as production is broadly static.
- Around 17% of Finland's imports valued at € 48.6 million (22% by volume) come from developing countries. The leading developing country suppliers are China (€ 20.9 million), Vietnam (€ 9.1 million), Malaysia (€ 8.5 million), Indonesia (€ 5.5 million), India (€ 1.8 million) and Turkey (€ 1.1 million). Smaller suppliers are Brazil, Thailand, Mexico and South Africa. Importers registering large increases were China, India and Vietnam. Thailand and Indonesia registered decreases.
- Other furniture was the largest product group with imports valued at € 70.3 million (24% of total by value and 27% by volume). Imports were up over the period, particularly in value terms. Furniture parts were the next largest group, valued at € 59.6 million. Upholstered (€ 54 million), dining and living room (€ 38.3 million), non-upholstered (€ 36.4 million), bedroom (€ 16.1 million), kitchen (€ 9.8 million) and rattan (€ 4.6 million) were the value of imports of the other product groups.

Exports
- In 2005, Finland's exports of domestic furniture were valued at € 195 million or 58,000 tonnes. Between 2001 and 2005 the value of exports decreased by 8%. Volumes were at 2001 levels after increasing in 2003.
- Finland is a relatively low exporter in comparison with its Scandinavian neighbours. Nearly 65% of exports were intra-EU. Sweden (27%) was the largest destination country, followed by Russia and Germany. Re-exporting is not a major feature of Finnish exports.
- Around 24% of Finnish exports were dining and living room furniture.

Opportunities and threats
- Imports are rising while exports are falling and domestic production is fairly static. Hence opportunities exist to enter the Finnish market. This is particularly the case for exporters from developing countries, whose exports have increased at a faster rate than other countries.
- The biggest opportunities are in upholstered seating, followed by furniture parts and bedroom furniture. Domestic production of furniture parts is declining.

Useful sources
- EU Expanding Exports Helpdesk - http://export-help.cec.eu.int/
- Eurostat – official statistical office of the EU - http://epp.eurostat.cec.eu.int
- Statistics Finland – http://www.stat.fi/index_en.html

3. Trade structure

- Furniture distribution in Finland is becoming increasingly concentrated. Large furniture chains, franchising and buying groups lead the market with some 60% of home furniture retailing. Independent furnishing stores usually deal with upper-end products.
- Finnish importers usually represent several different product lines. Furniture is often imported through wholesalers or trading houses but largely sold directly to retail chains, department stores, and other retail outlets. Furniture importers and distributors include Thomart (http://www.thomart.fi) who supply 400 retailers, Bella Luna (http://www.bellaluna.fi) and the buying group Stemma (http://www.stemma.fi).
- IKEA is the leading retailer with 10% market share and 2 outlets in 2005. Other specialist retailers of interest to developing country exporters are Isku with 31 outlets (http://www.isku.fi), Asko (29 outlets) and Sotka (52 outlets), both part of the Indoor Group (http://www.indoorgroup.fi) and Masku with 39 outlets (http://www.masku.com).
- More information on trade structure can be found at the Finnish Furniture Retailers Association (http://www.suomenhuonekalukaupanliitto.fi) and at the Finnish Furniture Association (http://www.suomalainenhuonekalu.fi or http://www.finnishfurniture.com).

4. Prices
- Half of all domestic furniture sales are imported so there has been a long-term downward pressure on prices, helped by joining the Euro and the internationalisation of the furniture trade. Prices in IKEA for comparable items were slightly lower on average than other EU countries, despite prices generally being higher in Finland than most EU countries.
- For up-to-date furniture prices, see IKEA (http://www.ikea.fi); leading retailer Asko (http://www.asko.fi) and buying group Europamoebler (http://www.em.com).

5. Market access requirements
- Manufacturers in developing countries should be aware of the market access requirements of their trading partners and the country 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.

- With regards to environmental requirements, the Nordic Swan label is an independent label and well recognised in Scandinavian countries.
- For more information go to 'Search CBI database' at http://www.cbi.nl/marketinfo

6. Business practices

- The Finns value conscientious work, initiative and enterprise. They are very quality conscious and expect punctual delivery. English is the first business language of Finland, but for technical documents it is advisable to have them translated into Finnish.
- Usual terms of payment are 30 days open account.
- The main trade fair organiser can be reached at http://www.finnexpo.fi. The Habitare fair takes place in September 2007.
- More information on business practices in the furniture trade in Finland can be found at http://www.puusepanteollisuus.fi (Association of Finnish Furniture and Joinery Industries), at http://www.suomenhuonekalukaupanliitto.fi) (Association of Finnish Furniture Retailers) and the Finnish Furniture Association (http://www.suomalainenhounekalu.fi or http://www.finnishfurniture.com)
- The main trade publications are Puutekniikka – see http://www.adverbi.fi/faktapro and Forma & Furniture - see http://www.suomenhuonekalukaupanliitto.fi.

This survey was compiled for CBI by ***Searce*** in collaboration with Mr. Johan Jonkers