CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN GERMANY

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Report summary
This CBI market survey discusses, amongst others, the following highlights for the domestic furniture market in Germany:
- Germany's consumption of domestic furniture was valued at € 17,036 million in 2005, down by over 7% since 2001, as was production, which was valued at € 15,943 million.
- Imports were down by 2% since 2001, and were valued at € 6,375 million. Furniture parts were the largest product group.
- Developing countries account for 19% of all imports, up from approximately 13% in 2001. Over 60% of this is from Asia. The main supplier is China, followed by South Africa. Supplies from Latin America are small but growing.

This survey provides exporters of domestic furniture with sector-specific market information related to gaining access to Germany. 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 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

Total market size
Germany is the largest market for domestic furniture in the EU, accounting for 22% of all sales. Sales totalled € 17,036 million in 2005. With a per capita consumption of € 206, this was well above the EU25 average. Sales were up just over 1% in 2005 compared with 2004 and 2.5% with 2003. This is a sign that the German economy is starting to turn around after years of recession.

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

	2001 €m	**2003** €m	**2005** €m	**Population** (million)	**Consumption per capita** €	**Households** (000's)	**Occupants per h/h**
Germany	18,512	16,619	17,036	82.5	206	39,122	2.1

Source: National Trade Associations, Euromonitor (2006)

This is the best performance for seven years. A more striking improvement in retail sales is expected for 2006 before a proposed increase in the VAT rate that will impact on prices in 2007.

Overcapacity in the trade and consumers' fear of spending remain the major obstacles to the progress of the market. However, as the country's economy starts to improve, new types of consumers are emerging.

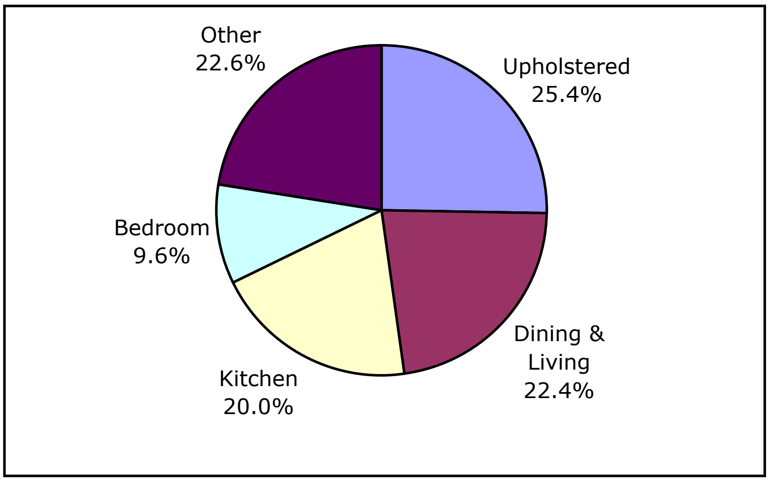
Product groups
Upholstered seating is the largest product group, valued at € 4,327 million. This group is experiencing a growth due in part to the increase in home cinema. New styles in finishing and fabrics are also helping to stimulate sales.

Dining and living room furniture is valued at € 3,816 million. This represents a slight fall in sales, primarily due to the decline of the traditional dining room. However more contemporary living room furniture is experiencing an increase.

Kitchen furniture is valued at € 3,407 million, up on the previous year. Increases in sales of kitchen furniture usually signal a return to confidence in the market, due to the high costs involved in replacing a kitchen. The kitchen is also becoming a more focal point in the home.

Bedroom furniture is valued at € 1,636 million, down in value over the previous year, although lower priced bedroom furniture means that volumes are holding up.

Figure 1.1 German domestic furniture consumption by product group, % value, 2005



Source: HDH, Euromonitor (2006)

Market segmentation

The market is continuing to polarise with the large outlets continuing to increase their market domination while discounters consolidate their position at the other end of the market. Despite changing trends (see below), price is still the dominant purchase motivator. The promotional activity produced by retailers and distributors reflects this.

- Shifts away from traditional outlets to new forms of distribution are also a reflection of the new consumer types that are driving the market.
- Women tend to be the main decision-makers and major furniture consumers in most households.

- *Segmentation by lifestyle*: The two key target groups in today's market are "singletons" – almost half the population now live in single households- and "best agers" – affluent over 50 year-olds that is the fastest growing segment of the population. Young professional people who have made a lifestyle choice to delay having children are quite affluent. They can afford to purchase higher quality items, but they have space restrictions in their homes. "Best agers" are usually couples whose children have left home. They also are affluent, and active, but still live in the family home. It is these segments that should also be of interest to exporters from developing countries.

  Specific demands made on furniture by these groups are especially versatility (multi-purpose) and flexibility on the one hand and convenience coupled with attractive design on the other. Modern people want not only furniture but also solutions to their specific needs. Examples of this for "best agers" would be converting the old dining room into a home cinema or home gym and changing the furniture accordingly. For young single people, the emphasis would be for example a bedroom that doubles as a study. Perhaps there would be a need for a bed unit that is built into the wall.

- *Segmentation by region:* Sales in the north of Germany tend to be higher than in other regions of the country.

Trends in consumption

- The dominant trend has been the move to "multi-media furniture". The development of flat screen televisions, which are now quite affordable, and the accompanying sound systems enable consumers to make these items visibly dominant or not, depending on individual taste. This has led to the provision of new style moveable shelf cabinets and sideboards that are designed to be as flat as possible, as well as flexible in terms of where they can be positioned in the room. This trend has been strongly advanced in 2006 with significant purchases as a result of the football World Cup. This contrasts with the old-style thick TV cabinets that are no longer in demand.
- The broader trend of "homing", with increased focus on the inside of one's home, has not reached its peak yet. This trend will continue to stimulate interest in the furniture market.
- The "communication centre" of the home has moved from the dining room to the kitchen. This is where most talking – as well as cooking – takes place. Other new products that promote communication are swivelling or adjustable chairs and sofas.
- 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. Other things that promote good sleep include 'feng shui' - an ancient Chinese practice of placement and arrangement of space to achieve harmony in the bedroom. Additionally, items that allow the consumer to access their multi-media equipment in their bedroom are in greater demand.
- Environmental considerations continue to play an increasing role in furniture purchasing for German people. The other key trend in terms of furniture design is that products are generally becoming more colourful.

Production

Total production

The value of domestic furniture production was estimated at € 15,943 million, down 8% since 2001, but a small increase over the low point of 2003. According to Eurostat, the volume of German production was 67.3 million items in 2003. There are many competitive pressures facing the German furniture industry, particularly from lower cost overseas competitors. Much production has already been outsourced to Eastern European neighbours such as Poland. Future prospects are uncertain but small improvements are forecast in the short term, mainly as a result of increased exports, rather than increases in consumption.

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

	2001 value	2003 value	2005 value*	Average % change in value	Number of companies 2004	Number of employees 2004
Germany	17,397	15,444	15,943	-8.3	5,000	105,420

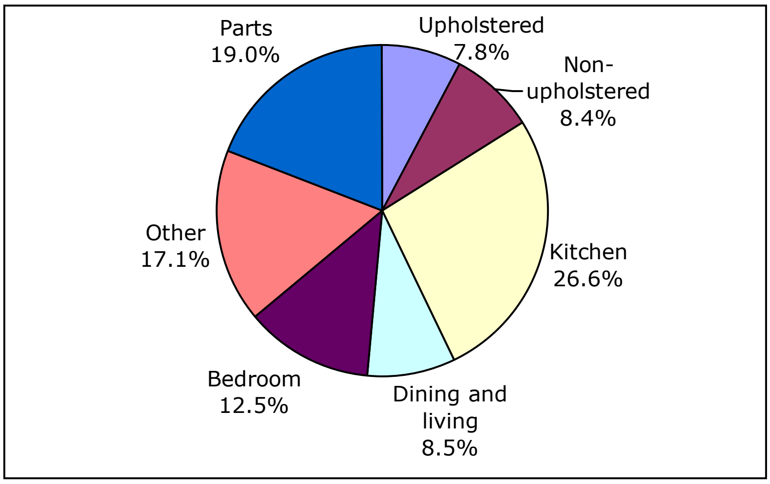
Source: UAE
*estimated

Furniture production in Germany accounts for 22% of the EU total and is the largest in the EU, along with Italy. German production is more than double that of the next leading countries (France, Spain and the UK).

- Production is located primarily in three areas (North Rhine-Westphalia, Bavaria and Baden-Württemburg).
- Production is more concentrated than in most other EU countries.
- Over 100,000 people are employed in 5,000 companies.

As shown in figure 1.2, kitchen furniture is the largest sector, followed by furniture parts. Production of furniture parts is increasing while production of upholstered seats and dining and living room furniture is in decline.

Figure 1.2 Production of furniture in Germany 2005, % value



Source: Eurostat 2006

Major players

The main furniture manufacturers in Germany are:

- Schieder Gruppe is the largest German furniture manufacturer of household furniture with sales of well over € 1 billion. It is also the largest furniture manufacturer in Europe (http://www.schieder.com).
- Steinhoff is well known for its production of leather furniture (http://www.steinhoffinternational.com).
- Welle produces household and office furniture (http://www.welle-moebel.de)
- Nolte is a major producer of bedroom furniture (http://www.nolte-moebel.de).

Other German furniture manufacturers are Hülsta (http://www.huelsta.co.uk), Alno (http://www.alno.de) and Hukla (http://www.hukla.de).

Trends in production

- Job cuts in the furniture production industry recently have been a result of falling demand as much as concentration into larger units. The industry now considers itself to be in a stronger position to face the challenges of the future.
- The industry has been forced to be more flexible. Part of this has been the ending or re-negotiation of some general wage agreements.
- While outsourcing is now an important part of the industry, with many parts imported from Eastern Europe and other parts of the world, high quality standards are being enforced from the centre. These standards are also required to be met by the outsourced partners. Much work is being done in product standardisation, especially for safety in use.
- Other developments include ensuring production is energy efficient and environmentally friendly.

Opportunities and threats

- It is predicted that more opportunities will be presented to exporters from developing countries as the German market starts to expand again.
- The most obvious opportunities are in living room furniture that is related to the growth of home cinema. As well as items that facilitate the storage and display of this equipment, new forms of seating will also be required.
- There are many other suppliers who have been waiting for the German economy to pick up again. The German production industry itself has been reliant on exports while the domestic market has been sluggish.

- There are also many furniture producers on the doorstep, especially Poland and Slovakia, who are eyeing the upturn in the German economy.
- There is much outsourcing of production in Germany, but much of it goes to Eastern Europe. Developing country exporters need to be able to meet the high and exacting standards of German producers if they are able to form partnerships.

Useful sources
- The main trade association for the German furniture industry is the Verband der Deutschen Möbelindustrie (http://www.hdh-ev.de).
- As well as production figures from Eurostat, the German Federal Statistical Office is a source of production information (http://www.destatis.de).

2. Trade: imports and exports

Imports

Total imports
In 2005, Germany imported furniture valued at € 6,375 million, or 2,251,000 tonnes. This accounted for 21.4% of all EU imports by value, or 21% by volume. This represented a decrease of 1.8% in value (8.8% increase in volume) since 2001. Germany is the largest importer of domestic furniture in the EU, followed by the UK and France. Their imports exceed UK imports by 30%

The small decrease in imports contrasts with a 7.7% increase in exports. Germany's furniture imports still exceed exports by 34% in value and by over 80% in volume. Production and consumption are both down. Nevertheless the role of imports in the market continues to grow.

Poland and Italy are the most important suppliers, accounting for a third of all imports. A good proportion of this will be parts for re-export. 73% of all imports are intra-EU. Imports from Italy, Denmark, Spain, Belgium and the Czech Republic are decreasing.

- Developing countries account for 19% of all imports, over 40% of which come from China. Imports from developing countries are increasing year on year.
- Although China and South Africa are the dominant developing country suppliers, South African supplies are in decline while China is increasing rapidly.
- Supplies from North Africa are not increasing. Supplies from Mexico are decreasing while supplies from Brazil are increasing.
- Imports from most Asian countries are increasing, although supplies from Indonesia and Myanmar are down.

Imports by product group
Furniture parts are the largest product group of imports to Germany. Valued at € 2,553 million in 2005, this group represented 40% of all imports in 2005 (24% by volume), a similar share to 2001. This highlights the importance both of re-exports and the separation of production and assembly. Intra-EU trade accounts for 76% of the supply of furniture parts. Italy and Poland are the largest suppliers. Imports from the Czech Republic, Austria and Spain are down.

Developing country suppliers account for 17% of imports of furniture parts to Germany. In fact the contribution from developing countries is increasing by volume. Supplies from Latin America and Asia are increasing, although 57% of imports come from Africa, primarily South Africa. The biggest increases were from China and Uruguay.

Upholstered seating is the next largest product group, valued at € 1,059 million in 2005, representing 17% of imports by value (15% by volume), a similar proportion as in 2001. Approximately 80% of imports were intra-EU, with Poland being the dominant supplier.

Italy and Denmark were important suppliers but their imports were down.

Developing countries supply 12% of all upholstered seating, a rapidly growing proportion. China is the largest developing country supplier, ahead of Italy in volume terms. China's imports have almost doubled since 2003, reaching € 76 million. Other Asian suppliers have also seen increased imports to Germany, with the exception of Thailand. African supplies of upholstered seating are negligible. Brazil is the main Latin American supplier.

Other furniture is the third largest product group, valued at € 934 million in 2005. This is an important group of imports for developing country suppliers, and they represent 25% of all imports. Italy and Poland are the leading EU suppliers.

China is the leading developing country supplier, as well as the leading supplier overall, with imports increasing by three times over the period to reach € 153 million in 2005. Asian suppliers dominate with 89% of developing country supplies, but Brazil is the leading non-Asian supplier.

Table 2.1 Imports by and leading suppliers to Germany, 2001-2005, share % value

Product	**2001**	**2005**	**Leading suppliers in 2005** (share in %)	**Share**
Total domestic furniture	6,494 (€ mln)	6,375 (€ mln)	Intra-EU : Poland (22%), Italy (11%), Denmark (6%) Ext EU excl DC*: Switzerland (3%), Romania (3%), Taiwan (1%) DC* : China (8%), South Africa (4%), Turkey (2%) Indonesia (2%), Vietnam (1%), Brazil	73% 8% 19%
Upholstered seating	1,081	1,059	Intra-EU : Poland (46%), Italy (11%), Denmark (6%) Ext EU excl DC*: Romania (4%), Switzerland (2%), Bulgaria DC* : China (8%), Turkey (1.5%), Bosnia-Herzegovina, Malaysia, Vietnam, Indonesia,	80% 8% 12%
Dining/living room	754	710	Intra-EU : Poland (26%), Italy (14%), Denmark (12%) Ext EU excl DC*: Romania (6.5%), Switzerland (1.3%), Russia DC* : China (4%), Indonesia (1%), Brazil (1%), Indonesia (1%), Bosnia-Herzegovina, Vietnam,	79% 9% 12%
Non-upholstered seating	532	570	Intra-EU : Poland (26%), Netherlands (6%), Italy (6%) Ext EU excl DC*: Romania (2.5%), Russia (1%), Japan DC* : China (20%), Vietnam (7%), Indonesia (6%), Philippines, Brazil, Malaysia	55% 7% 38%
Bedroom	450	370	Intra-EU : Denmark (26%), Poland (20%), Italy (7%) Ext EU excl DC*: Switzerland (9%), Romania (3%), Russia DC* : China (8%), Brazil, Croatia, Malaysia, Indonesia, India	76% 13% 11%
Kitchen	78	81	Intra-EU : Denmark (28%), Italy (20%), France (12%), Ext EU excl DC*: Switzerland, Bulgaria, USA DC* : Thailand (6%), China (2%), Malaysia (1%), Turkey, Indonesia, Brazil	89% 0% 11%
Rattan	88	98	Intra-EU : Netherlands (10%), Italy (4%), Denmark (4%) Ext EU excl DC*: Switzerland (3.4%), Taiwan (2%), Romania DC* : Indonesia (38%), China (16%), Vietnam (12%), Philippines, Thailand, Bosnia-Herzegovina	24% 6% 70%
Other	870	934	Intra-EU : Italy (12%), Poland (12%), Netherlands (9%) Ext EU excl DC*: Switzerland (4%), Taiwan (3%), Romania (3%) DC* : China (16%), Vietnam (2%), Indonesia (1%), Turkey, Brazil, India	62% 13% 25%
Parts	2,641	2,553	Intra-EU : Poland (16%), Czech Rep (12%), Italy (11%) Ext EU excl DC*: Switzerland (3%), Romania (1%), Russia (1%) DC* : South Africa (10%), Turkey (2.7%), China (2%), Uruguay, Philippines, Indonesia	76% 7% 17%

Source: Eurostat (2006), *Developing Countries

Imports of *dining and living room furniture* were valued at € 710 million in 2005 (11% by value and 17% by volume of all furniture imports). Imports have fallen since 2001. Poland and Italy are the leading EU suppliers. Imports from Denmark were down.

Around 12% of supplies come from developing countries, of which 62% is supplied by Asia. China and Vietnam are the two main developing country suppliers, although supplies from Indonesia are declining. Other countries including Mexico, Turkey and Bosnia-Herzegovina also increased their supplies.

Non-upholstered seating had imports worth € 570 million in 2005, around 38% of which came from developing countries. This group had the largest share of developing country imports, with the exception of rattan furniture. Although imports are unchanged in this category over the period, the share from developing countries has grown since 2001. The major supplier is Poland, although re-exports will play a part of this. China is the largest developing country supplier. Other Asian suppliers are also increasing with the exception of Indonesia. Russia is also becoming an important supplier.

Bedroom furniture imports are down over the period. Developing country suppliers account for 11% of this, the majority of which is from China. China's suppliers are increasing, but supplies from leading developing countries are lower.

Rattan furniture is the smallest category, and although developing countries account for 70% of all supplies this is valued at € 98 million in total. Almost 11% of *kitchen furniture* comes from developing countries, a share which has grown very rapidly in recent years.

Exports

In 2005, Germany exported domestic furniture worth € 4,753 million, or 1,228,000 tonnes. This represents an increase of 7.7% in value since 2001. Volumes were up by 9%. Over the period under review, of the major exporters only Poland also registered an increase.

Germany is the second largest EU exporter after Italy. The Netherlands (14%) and Austria (11%) are the two biggest EU markets for German exports, followed by France, Italy and Belgium. Nearly 73% of exports were intra-EU. Outside the EU, Germany's major export markets are Switzerland (11%), the USA, Russia and Japan, followed by China, Canada, Mexico and South Africa.

Furniture parts accounted for 32% of exports by value (€ 1,519 million) but 20% by volume. France, the Czech Republic, Belgium and the UK were the principal destination countries. Other important destinations for these products outside of the EU were the USA, Switzerland, China and Japan. Kitchen furniture represented 20% of exports. Germany is the largest exporter of kitchen furniture in the EU. Most exports of kitchens went to the Netherlands (largely for re-export), Switzerland, Belgium and France. Other furniture represented 18% of all exports.

Upholstered and dining and living room furniture exports were also sizeable product groups. Non-upholstered furniture and rattan furniture were the smallest groups. Exports of kitchen and other furniture were up over the period. Exports of bedroom and upholstered furniture were down.

Opportunities and threats

- Although Germany is the leading EU furniture producer, economic difficulties in the German economy have still provided opportunities for importers. However, Germany has very strong links with a number of Eastern European countries.
- This is based on the economic benefits of being in close proximity. These close relationships are the principle threat for exporters from developing countries. This proximity also explains why in terms of value exports have been rising faster than imports, even during the economic recession.

- Nevertheless, import volumes continue to grow well ahead of export volumes. This indicates that exporters from developing countries need to take care that their pricing structures are sensible. The German market is currently very price-sensitive.
- Non-upholstered seating has been an important sector for developing country exporters, and continues to be so. Other furniture is a growing sector in Germany, and more importantly, a source of good opportunities for exporters from developing countries.

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 - 'external trade' - 'data – full view' - 'external trade - detailed data'.
- Federal Statistical Office – http://www.destatis.de

3. Trade structure
Please refer to the CBI Market Survey "The domestic furniture market in the EU" for a detailed explanation of the trade channels in this sector.

Trade channels
Furniture distribution in Germany is characterised by concentration in fairly large units. The buying group is the dominant trade channel in furniture distribution, accounting for approximately 60% of all retail sales of domestic furniture.

These buying groups control purchases of more than furniture. They provide other products and services and consequently have a powerful position on the German retail scene in general. The "big 5" buying groups are:
- Begros (http://www.begros.de) with 61 outlets and a turnover of € 3,600 million.
- Union (http://www.union-moebel.de) with 165 outlets and a turnover of € 3,200 million.
- Europa Moebel Verbund (http://www.emverbund.de) with 800 outlets and a turnover of € 2,830 million.
- VME (http://www.vme-online.net) with 320 outlets and a turnover of € 2,440 million.
- Atlas with 46 outlets and a turnover of € 2,400 million.

Good websites to access other furniture importers are http://www.germanfurniture.de and http://www.moebelonline.com. The German Association of Commercial Agents and Brokers is at http://www.cdh.de. An example of an online broker dealing in furniture and other products is http://www.hein-marketing.com.

Retail trade
Furniture is sold through 14,000 outlets. The shift to larger retail outlets has meant retailers are stocking a wider product range in order to develop a distinctive market position.
It has also led to the arrangement of products by theme or style, such as "Neues Wohnen" (modern living). The other recent feature of the trade is downward pressure on prices due to the poor economy recently. This has strengthened the position of discounters.

IKEA is the number one retailer in Germany with 33 outlets in 2005 (http://www.ikea.de), followed by Moebel Walther with 10 outlets (http://moebelwalther.de), Porta Moebel with 110 outlets (http://www.porta.de) and Roller with 69 outlets (http://www.roller.de).

Table 3.1 Share of Retail Distribution in Germany, 2005, % value

Outlet type	% share	% change vs 2004
Buying groups	60.6%	+2.7%
Independent specialists	15.0%	+6.0%
Total specialists	**75.6%**	**+3.4%**
DIY	3.2%	-5.9%
Mail order	7.3%	-4.8%
Department stores	0.1%	-25.0%
Self-service markets	1.5%	+9.8%
Other	6.5%	-12.0%
Non-specialists	**18.6%**	**-5.9%**
Direct sales	**3.5%**	**-3.7%**
Wholesale trade	**2.3%**	**-6.8%**
Total	**100%**	**+1.0%**

Source: Verband der Deutschen Moebelindustrie (2006)

Non-specialists accounted for 18% of furniture sales, a fall of 6% over the year. Mail order sales have been affected by furniture specialists. They have their own Internet sites for online purchasing. The biggest mail order companies are Quelle (http://www.quelle.de) and Otto Versand (http://www.otto.de). Lower priced and RTA furniture is handled by DIY outlets.

Trends

- The trend to concentration and specialisation continues. The power of the big buying groups over the market is immense. Together with the size and strength of retailers such as IKEA and Moebel Walther, independent retail specialists continue to close. This makes it more difficult for exporters from developing countries to enter the market via this channel.
- The German furniture trade has suffered more than any other EU market over the last few years. The combination of increased buying power and economic difficulties has produced a significant fall in prices. This in turn has put further pressure on developing country exporters to gain access to the trade.
- Among the new and developing distribution channels, the most important are factory outlets. Interlübke (http://www.interluebke.de), Cor (http://www.cor.de), and Wasa (http://www.wasamoebel.de), each well-known manufacturers, have opened outlets to sell directly to the public.

Useful sources

Information on the structure of distribution channels in Germany can be found from:

- The German Furniture Industry (http://www.wohninformation.de) produces information and jointly produces an Annual Report in conjunction with the Federation of Wood and Plastics Industries (http://ww.hdh-ev.de).
- Euromonitor (http://www.euromonitor.com) publish country-specific reports on retailing, and also focus on the home furniture sector.
- Mintel (http://www.mintel.com) has information on the structure of German trade in its European Retail Directory.
- The Furniture Industry Research Institute (http://www.csilmilano.com) publishes reports on furniture distribution channels in Germany.

4. Prices and margins

Prices and margins

Germany has perhaps suffered most economically in the last few years and the furniture sector has been badly affected. Prices have come down and a number of retailers have gone bankrupt. From being a country with relatively high furniture prices, Germany is now one of the lowest priced markets in the EU.

Retailer margins consequently are low. Businesses have survived by transferring production to countries where production is cheaper. More retailers are importing directly and not using wholesalers, thus removing that margin from the pricing structure.

There are some signs of the market picking up and prices beginning to move again. Mail order and the Internet are important in Germany. Competitive prices in these channels explain this in part. Buying groups also provide credit for consumers to try to stimulate purchasing.

Examples of retail prices from three leading retailers are given below:

Table 4.1 Examples of retail prices of furniture items in Germany, 2006

Habitat		**Roche Bobois**		**IKEA**	
Dorma Sofa[1]	€ 1,790	Victorine Bed[3]	€ 2,135	Agen Rattan Chair[2]	€ 16.95
Utah Sofa[1]	€ 1,990	Victorine Bureau[3]	€ 1,840	Jokkmokk Table/4 Chairs[1]	€ 99
Utah Armchair[2]	€ 999	Victorine Bedside Table[3]	€ 690	Kloffsta Dining Table[1]	€ 149
Dub Stool[1]	€ 349	Honfleur Bed[3]	€ 2,400	Jussi Folding Table[1]	€ 99

Note: [1] = Modern style [2] = Contemporary style [3] = Provincial style

Source: European Consumer Centre, IKEA German website 2006

Useful sources

The European Consumer Centre that regularly produces price checks and comparisons on a wide range of products can be reached at http://www.evz.de. The IKEA price list for each country can be found at http://www.ikea.com. The monthly Eurostat bulletin "Statistics in Focus" published a comparative furniture price index in November 2003. A new report is due in November 2006 (http://epp.eurostat.cec.eu). Also check the websites of the major furniture retailers, listed above in Chapter 3.

5. Market access requirements

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

Legislative requirements

National legislation in EU countries is compulsory for all products traded within the country concerned. 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.nl/marketinfo, select your market sector, and the EU country of your interest in the category search, click on the search button and click on legislative requirements for an overview of all documents on legislation in your country of interest.

Non-legislative requirements
Social, environmental and quality 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.nl/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.

There are quality requirements i.e. the DIN standards in Germany for many furniture items that can serve as an international benchmark. Most of the functional innovations and ergonomic improvements have emerged from German makers. Durability standards have been established relating, for example, to the resistance of products – surface resistance to dry heat, cold liquids and contracting movements. Quality standards exist for wood treatment with regards to preservation and glueing. You can check at the Deutschen Institut für Normung (DIN) if there are standards for your product.

In contemporary or colonial style furniture, buyers expect woods of an excellent quality e.g. kiln dried, free from pest, cracking, splitting and from full grown trees from well-managed forests. In the case of self-assembly, the material of the fittings should be of good quality and be correctly made so that all components match and fit well.

Packaging, marking and labelling
Apart from the safety aspects and protection against damage, the focus of packaging is on environmentally friendly transport. 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.nl/marketinfo. When you search for 'checklist export packaging', you can download a packaging checklist for export, which you can use for furniture.

With regard to labelling for retail sales of furniture, there are no legally binding requirements and labels are primarily used as promotional sales tools. In Germany, standard labelling systems are being introduced by the trade to ensure that consumers are correctly informed. The new labelling code set out by the German furniture trade association DGM requires the following information to be featured on labels:

- Product description/name
- Model/type
- Construction/materials used
- Availability of different models
- Type of upholstery
- Care and cleaning advice
- Treatments/tests carried out
- Guarantee

Tariffs and quota
The global furniture trade is rather liberal and therefore most items are free from duties. Import duties in Germany are only payable on parts, seats/furniture of cane, osier, bamboo and kitchen furniture. Further details can be found in the CBI Market Survey 'The domestic furniture market in the EU'.

The Value Added Tax (VAT) for all furniture in Germany is 16%.

There are no quantitative restrictions for imports of furniture in Germany. 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 (Russia and Bulgaria).

Useful sources
- Deutschen Institut für Normung (DIN) - http://www.din.de
- Deutschen Institut für Mobeltechnik – http://hdh-ev.de
- Deutsche Gütegemeinschaft Möbel – http://dgm-moebel.de
- German Agency for Technical Cooperation – http//:www.gtz.de
- German Customs - http://www.zoll-douane.de or
  - http://ec.europa.eu/taxation_customs/dds/en/tarhome.htm

6. Business practices

General information on business practices can be found in the CBI Market Survey "The Domestic furniture Market in the EU". Time is money in the eyes of German businessmen. If you make an appointment, keep it. English is widely spoken, but it cannot be assumed, particularly in the east where Russian was the second language. Creating the right first impression is vital.

Selecting a suitable trading partner
- Be aware of German business practices when considering exporting to Germany. Send personal and company profiles beforehand to establish credibility. Contacts are vital to success.
- Use a German agent or someone from the Chamber of Commerce.
  One of the most important trade fairs in the international calendar takes place in Cologne each January (IMM Cologne), which follows the latest trends in furniture. This is an excellent place to make contacts. Trade fairs are
  probably the most important marketing tool in Germany.
- The German furniture trade association will also be able to advise on how to select your contacts best suited to your business.
- Germans are schedule-oriented for most efficient time management, so expect their business communication behaviour to be very agenda-based. Germans tend to be intensely analytical thinkers, requiring lots of facts and examples from the other side to back up their position.
- They tend to be also cautious. Objective facts are the basis for truth in German business culture, and legalistic, rational reasoning is the cornerstone of business negotiations and communication. So be prepared. Contracts are final after signing.

Reaching an agreement with your trade partner
It is important to send the most senior manager in the first instance. That person must be able to speak for the whole company. Being able to speak German is an advantage, but level of seniority is most important.

Most communication is via email but initial formal communication is better using formal printed matter (translated into German).

Common practices of drawing up an offer
Provide as much detail as possible. A sample may be required, depending on the specification of the items. This is preferable for the first order, but good photography may be acceptable thereafter.

Usual methods of payment
There are no hard and fast rules on payment, and requests for payment vary from immediate to up to 30 days. Discount for payment within this period is sometimes offered, 3% being the norm, but higher discounts are negotiable.

Large buying groups often have even more demanding payment terms. In order to protect the weaker party, business transactions in Germany between companies are often based on standard contracts, the terms of which are drawn from the Standard Terms and Conditions Act (Gesetz zur Regelung des Rechts der Allgemeinen Geschaftsbedingungen).

Usual terms of delivery
Delivery, whether of products or proposals, must be made on time. Germany is accessible by sea. The main port is Hamburg in the north. Alternatively, airfreight or road transport are the most common methods of delivery. Much trade with Germany is delivered initially into the Netherlands or Belgium and then forwarded to Germany, usually by road.

More information on payment and delivery terms can be found in CBI's *Export Planner.*

Sales promotion
Trade magazines provide a key source of information for furniture buyers. German furniture buyers may require additional quality marks, which are not necessarily legally required, but greatly enhance a product's chances to be successfully marketed.

Trade fairs are the most important sales tool. The main contact is http://www.imm-cologne.de.

The main furniture trade associations can be contacted via http://www.hdh-ev.de (manufacturers) and http://www.bwb-online.de/bvdm (retailers).

The most important furniture trade journal is Moebelmarkt (http://www.moebelmarkt.de). More information can also be found in CBI's *Export Planner* and *Your Image Builder.*

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