CBI MARKET SURVEY

The Sanitary Ware and Ceramic Tiles Market in Germany

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Report summary
This CBI market survey discusses the following highlights for the sanitary ware and ceramic tile market in Germany:

- In 2005, German consumption of sanitary ware and ceramic tiles was € 1,933 million and production was € 2,040 million in value.
- In 2006, Germany imported about € 1,026 million worth of sanitary ware and ceramic tiles.
- Between 2002 and 2005 total consumption of sanitary ware and ceramic tiles dropped at nearly 5% per year. Over the same period German production dropped significantly less at 0.7% annually.
- German imports decreased by 3% per year. Iron/steel and plastic sanitary ware imports increased.
- Developing countries (DC) are becoming increasingly important as suppliers of low priced products. In contrast to other important importers in the EU, prices of sanitary ware and ceramic tiles stabilized in Germany. Turkey, China, Egypt and South Africa are the most important DC supplying to Germany.

This survey provides exporters of sanitary ware and ceramic tile 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 Sanitary Ware and Ceramic Tiles 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

1 Market description: consumption and production

Consumption and production data and trends are presented below. Consumption is inferred from production, imports and exports data made available through Eurostat. Production data is catalogued using Prodcom codes, and imports and exports are catalogued using HS codes. Estimating consumption from two different classifications implies that consumption data is indicative only and should be used in conjunction with additional research.

Consumption

- In 2005, German consumption of sanitary ware and ceramic tiles represented 753 thousand tonnes with a total of € 1,933 million (sanitary ware 62%; ceramic tiles 38%).
- German consumption has declined with an average of 4.9% annually.
- Germany is ranked 3rd based on consumption, above France and below Spain.
- Germany is one of the larger consumers accounting for 12% of total EU consumption. Italy (15%) is the largest consumer followed by Spain (12%).

Table 1.1 German consumption of sanitary ware and ceramic tiles between 2002 – 2005, value in € million, volume in 1,000 tonnes.

2002		2003		2004		2005		Average annual growth
Volume	Value	Volume	Value	Volume	Value	Volume	Value	
969	2,250	928	2,724	907	2,402	753	1,933	**-4.9%**

Source: Eurostat (2007)

- The steady decline of the German market between 2002 and 2004 accelerated in 2005. The long-lasting recession in German construction was the main reason for the negative growth. Furthermore the stagnation in the economic growth influenced the willingness of the German consumer to invest in remodelling their bathrooms and other parts of the house.

- There are major improvements expected in the sales of sanitary ware and ceramic tiles. Until 2010 renovation and modernisation of the housing is forecasted to show continuous growth. The development of construction output differs strongly between the sub-sectors. The new non-residential sector is expected to increase by 2% in 2007 and 2008. In the new residential construction sector a moderate growth is expected.
- Find below a table of the German sanitary ware and ceramic tiles consumption in the years 2002-2005 split into different product groups:

Table 1.2 German consumption split into product categories 2002 - 2005, value in € million; volume in 1,000 tonnes

	2002		2003		2004		2005	
Product group:	**Volume**	**Value**	**Volume**	**Volume**	**Value**	**Volume**	**Volume**	**Value**
Plastic sanitary ware	5	526	4	552	3	514	2	435
Ceramic sanitary ware	50	540	49	984	45	692	48	614
Iron/Steel sanitary ware	n.a.	345	n.a.	337	n.a.	378	n.a.	154
Unglazed ceramic tiles	121	149	126	160	111	134	35	97
Glazed ceramic tiles	808	690	766	691	766	684	682	633

Source: Eurostat (2007)

- The only product group that has grown in the reviewed period is ceramic sanitary ware. Consumption of iron/steel sanitary ware is heavily dependant on changing trends which do not provide for a steady flow of demand; in contrast plastic and ceramic products do have more constant flows of consumption.
- One product area that has continued to perform relatively well is shower products which have benefited from the increasing popularity of showering as a space-efficient alternative.
- The average price of sanitary ware decreased. The increased sales of Do-It-Yourself (DIY) stores and supermarkets have lead to a declining middle price segment. The price of ceramic tiles however increased slightly.

Market segmentation

The German sanitary ware and ceramic tiles market can be divided into the professional and the private market. A further useful division can be made by classifying products according to three price ranges: high-, mid- and low-range products.

- **Professional market**: consists mainly of (large) construction companies and various types of contractors. Their main activities are building new buildings and restoring and modernising existing buildings. The professional market tends to strive for efficiency, while respecting official quality standards. Low (purchasing) price is an important factor determining demand, thus making the professional market a potential buyer of low and mid-range products. The professional market is largely supplied by importers and wholesalers but is also known to buy from third countries directly. The smaller construction companies and contractors might also be supplied by the DIY outlets. The professional market is largely supplied by importers and wholesalers but is also known to buy from third countries directly. The smaller construction companies and contractors are sometimes also supplied by the DIY outlets.
- **Private market**: is covered to a large extent by sales through the DIY outlets and to a lesser extent through bathroom boutiques and installers. The DIY-market is a potential buyer of products in the low and mid price ranges. Brands do not generally play a major role in the DIY segment, whereas price and aesthetics are generally regarded to be the most important attributes influencing the purchase of goods. Bathroom boutiques focus on the high end of the market emphasizing on quality and brands. The DIY segment covers the biggest share of the market. Size of order is generally smaller; application of standards is less enforced, and is used primarily for renovation purchases.

Traditionally the bathroom market is subdivided in to low, middle and high segments of the market. Industry experts indicate that the middle segment will continue to lose ground to both the lower and the higher segments of the market. The lower segments of the market will mainly be served by manufacturers from East Europe, Turkey, the Middle East and the Far East. The higher segments of the market will be supplied by the (traditional) European and American manufacturers.

Trends consumption

- Germans nowadays prefer wall-hung toilets with a shallow pan. This type has been developed in Germany and has spread out to other countries where it is gaining popularity.
- In the ceramic tile market colours and formats are increasingly influenced by fashion trends. There are no dictates anymore and as a result trends can change rapidly. Apart from light natural colours, dark colour shades like earthy grey (concrete) or striking anthracite (slate) are in demand. But also blue, expressive red and sunny yellow colour shades are popular. As regards to the formats, XXL tiles with 30 x 60 cm or even large squares being laid linearly or diagonally are as popular as mosaics. Thanks to new manufacturing methods marble, granite or sandstone can almost be imitated perfectly by porcelain stoneware - inclusive of the irregularities in the surface.
- The increasing popularity of ‘wellness’ products have supported the whirlpool and spa sector, although its share within the bathroom market remains small. Whirlpools/Spa’s, which have traditionally been viewed as an expensive luxury, are fast becoming more affordable for the mass market. Manufacturers are also adapting their products for confined spaces with the launch of whirlpool/spa shower-baths. As awareness and distribution expands, this market is likely to grow, albeit on a gradual basis.
- Sanitary ware and ceramic tile consumers in the private and professional segment are increasingly interested in sustainable production and sourcing. Buyers and manufacturers are implementing labels and management system to conform to the demands from the market. A large construction group has set up the German Sustainable Building Council to certify sustainability criteria in construction and operations. Projects, which prioritise environment-friendly, healthy and resource-saving criteria right from the planning phase, during construction and in subsequent utilization, will be awarded a uniform quality label.

Production

- In 2005, Germany produced 95 thousand tonnes of sanitary ware and ceramic tiles, which represented a total of € 2,040 million (sanitary ware 78%; ceramic tiles 22%). Looking at volume/value ratio it shows that German producers are focusing on the high end of the market.

Table 1.3 German production between 2002 – 2005, value in € million, volume in 1,000 tonnes.

2002		2003		2004		2005		Average annual growth
Volume	Value	Volume	Value	Volume	Value	Volume	Value	
87	2,087	91	2,597	95	2,385	95	2,040	**-0.7%**

Source: Eurostat (2007)

- German production declined from 2004 onwards. Although a large part of German products are exported, production declined due to the fall in domestic demand and increased competition from DC suppliers.
- After years of decline, German construction is expected to pick up again and with it the production of high-end products, a segment in which German manufacturers have been focusing on. Moreover, the growth in the economies of Germany’s most important trading partners will fuel the demand for high quality German products.
- Germany is a large producer accounting for 11% of total EU production. The EU market is dominated by Italy (31%) and Spain (20%). Germany is ranked 3rd based on production, above Netherlands and below Spain.

Table 1.4 German production split into product categories 2002 - 2005, value in € million; volume in 1,000 tonnes

	2002		2003		2004		2005	
Product group:	**Volume**	**Value**	**Volume**	**Volume**	**Value**	**Volume**	**Volume**	**Value**
Plastic sanitary ware	3	73	0.3	76	0.4	81	0.3	71
Ceramic sanitary ware	2	74	2	72	2	70	2	55
Iron/Steel sanitary ware	3	59	3	64	3	62	3	53
Unglazed ceramic tiles	13	100	13	104	12	95	12	99
Glazed ceramic tiles	56	360	55	347	59	364	58	369

Source: Eurostat (2007)

- The decline in production of total sanitary ware can mainly be credited to the drop in production of ceramic sanitary ware. This product group has had the most competition from DC suppliers. The production of ceramic tiles however increased slightly. Growth achieved by the main manufacturers in the industry has tended to be driven by export opportunities.
- German producers still have a strong hold on the market. For example, housing corporations ask for tiles that can be delivered out of stock for 20 to thirty years and therefore prefer domestic producers that they can depend on for that period of time.
- In Germany, as well as in other important countries, producers are forming alliances with other (European) producers to defend their market positions. Advantages of working together include: being able to produce in larger quantities, streamlining the production process and offering a larger variety of products. The aim is to bring down production costs and be able to compete with cheap suppliers.
- However, emerging markets also create export opportunities for German manufacturers. In the pursuit of these markets mergers and acquisitions will continue over the next few years. Outsourcing is also becoming popular among German manufacturers as a way to bring down production costs.
- Producers are increasingly incorporating materials from sustainable sources and implementing environmental management systems in their production process.
- Find listed below the major players active in the German market:
  - Villeroy & Boch - http://www.villeroy-boch.com – large manufacturer of luxurious sanitary ware of ceramic tiles
  - Duravit - http://www.duravit.com/ - producer of a large variety of sanitary ware
  - Korzilius - http://www.korzilius.de/ - ceramic tile manufacturer
  - Kerateam - http://www.kerateam.de/ - ceramic tile manufacturer

Opportunities and threats

\+ With a recovering construction market and positive economical forecasts the German market for sanitary ware and ceramic tiles is expected to increase in coming years.

\+ The size of its market makes Germany an attractive target country within the EU.

\+ The German consumer puts a lot of emphasis on quality and design, making it easier for producers that are able to conform to these demands to find their way to the market.

\+ The growth of consumer awareness has lead to an increased interest in products from sustainable sources. DC manufacturers who can prove that their production complies with environmental and social norms will have a competitor-advantage.

\+ Outsourcing production from Germany to low-wage countries may open up opportunities for DC. Competition can still be felt from Eastern Europe, including the new member states, and the products from DC must be able to compete with these.

\- German manufacturers are still very dominant in their domestic market with solid relationships and good networks.

\- Price is not necessarily the most important factor for German consumers. Being able to deliver out of stock and delivering the same product for a long period of time is important for the replacement market in the professional segment. DC exporters often are not able to meet these demands; the after sales service is important for this segment.

Note that the above-mentioned opportunities and threats do not necessarily apply to your situation and an opportunity for an exporter maybe a threat to another. Therefore, please use the developments and trends discussed in the previous chapters to make your own analyses. For an example of a wider analysis, please refer to chapter 7 of the CBI market survey 'The Sanitary Ware and Ceramic Tiles Market in the EU'.

Useful sources

- Deutsche Steinzug - http://www.deutsche-steinzeug.de/ - German association of sanitary ware and ceramic tile producers
- German Tile Association - http://www.fliesenverband.de
- Deutsche Keramische Gesellschaft - http://www.dkg.de
- Ceramic Industry Association - http://www.keramverbaende.de/
- German Building Materials Association - http://www.bvbaustoffe.de/webseite/index.php

2 Trade channels for market entry

Trade channels

Wholesaler and importers are still by far the most important trade channel in Germany. They supply the private as well as the professional market.

- NC Mosaik - http://www.nc-mosaik.de/ - importer of ceramic mosaic tiles
  ATB Import - http://www.mexicotto.com/ - importer of terracotta tiles
- Deutsches Baustof Kontor - http://www.d-b-k.de/fliesen.php - large importer of tiles
- Knief - http://www.freistehendebadewannen.de – importer of sanitary ware and ceramic tiles

Retailers like DIY stores or bathroom specialists buy mainly from wholesalers and importers, although the larger DIY are also known for buying from exporters directly. Retailers mainly focus on the private market but some installers and contractors also get their material from retailers.

The DIY market is still becoming more important in the German bathroom market. Most large chains offer an increasing amount of products thereby targeting more market segments. There is an unusually high number of players in the German DIY market. While the obvious scenario would be one of consolidation, the nature of the business makes this unlikely - very few German DIY retailers are listed on the stock exchange, the rest being private or voluntary groups, which are not so easily bought or sold.

In recent years DIY outlets have become a more popular trade channels for sanitary ware and ceramic tiles. However the German DIY segment was also affected by the decline of the domestic market. Consumers reacted to the difficult economic climate by postponing renovation work, which had a negative impact on the DIY market. This has led to a 6.6% decline of sales in the segment. On the one hand, tightening purse strings prompted more Germans to undertake decoration and renovation projects themselves rather than to pay for high labour costs. However, extensive discounting campaigns by leading retailers and a greater propensity towards bargain hunting among customers undermined any potential value expansion as a result of greater DIY activity.

- Hagebau - http://www.hagebau.de –DIY store
- OBI - http://www.obi.de – DIY store
- Hornbach - http://www.hornbach.de – DIY store
- Domotex- http://www.domotex.de – large retailer of ceramic tiles and natural stone
- Bathroom Heaven - http://www.bathroomheaven.com/de/ - retailer

Installers place small orders with wholesalers and importers and mainly service the private market. In Germany crafts and handwork are still very much respected and therefore sales through installers is somewhat higher than in other EU countries.

- Bad Nixe http://www.badnixe.de – installer of sanitary ware

Independent buyers are usually large companies (e.g. building) or governmental organisations that buy directly from supplying countries for large residential, non-residential and civil engineering projects.

- Federal German Building Agency - http://www.bbr.bund.de/EN/Home/homepage__node.html?__nnn=true
- Hochtief - http://www.hochtief.com - large construction company

Price structure

Throughout the various trade channels, different prices and margins apply. The prices per trade channel in the EU are almost identical among the different EU Member States. Therefore, to learn more about the price structure in Germany please refer to chapter 3 of the CBI survey 'The Sanitary Ware and Ceramic Tiles Market in the EU'.

Selecting a suitable trading partner

Selecting a suitable trading partner can be started by contacting a chamber of commerce or a related business support organization. Deciding what kind of partner you want is important. Local presentation or market presence is essential in the German market. An agency arrangement is often a cost-effective mechanism to enter the market but under German law it can be difficult and costly to terminate the arrangement. A representation or distributorship arrangement may be harder to arrange but the German associate will purchase the product which is to be sold, thus sharing the marketing risk.

Another option is to become a subsidiary of a German production company. A subsidiary will have to be able to produce according to the German manufacturer's quality standards, meet deadlines and effectively communicate with its partners. Although margins might be smaller it could result in a long-term business relationship with frequent orders.

There are various ways to come into contact with importers and other possible trading partners in the German market. Attending trade fairs is one of the most important ways to get exposure. Because of the continuing globalisation of the sanitary ware and ceramic tiles market visiting trade fairs in related markets is also a way to get into contact with German companies. You can either choose between specific trade fairs for the sanitary ware and ceramic tile products or more general fairs (e.g. construction, home decoration). Contacting possible importers directly is only advised when preceding preparation has been sufficient.

In a market where competition is fierce and margins are small, it is becoming increasingly important to be a reliable partner. Delivering according to agreements and effective communication are crucial for your trading partner and necessary for developing a long-term business relationship.

Find below some links to website where you can find possible trading partners:

- Building company link site - http://www.baulinks.de/index.htm - gives information about the building sector and includes links to building companies
- Duravit - http://www.duravit.com ➔ go to 'Company' ➔ go to 'About us' ➔ go to 'Distributors'
- Ceramic Forum International - http://www.cfi.de/ - suppliers directory

3 Trade: imports and exports

Imports

Total imports

- In 2006, Germany imported about € 1,026 million worth of sanitary ware and ceramic tiles in 2006 (51% sanitary ware; 49% ceramic tiles) representing a volume of approximately 1,144 thousand tonnes

- Germany together with the UK is the second largest importer in the EU. France is the largest with 19% market share. The new EU countries are generally small importers.
- For an overview of German import figures from 2002 to 2006, please refer to the table below:

Table 3.1 German imports between 2002 – 2006, Value in € million; volume in 1,000 tonnes

2002		2004		2006		Average annual growth
Volume	Value	Volume	Value	Volume	Value	
1,397	1,164	1,388	1,156	1,144	1,026	-3.1%

Source: Eurostat (2007)

- The drop in German production and consumption was smaller than that of imports. Imports therefore are likely to suffer faced with a declining market.
- The average price of imported sanitary ware and ceramic tiles has gone down.
- 76% of the total value of German imports originated in EU countries representing more than € 783 million with a volume of over 911 thousand tonnes. The most important intra-EU suppliers in value are: Italy (33%), France (11%) and Spain (9%). Imports from Italy dropped significantly while that of Spain and France increased slightly. Intra-EU imports in general have gone down by 10%.
- Within the German import figure in 2006, more than € 165 million (15%) came from DC with a volume of more than 189 thousand tonnes (17%).
- The overall market share of DC in terms of value has grown from 10% to 15% over the period from 2002 to 2006. Growth of volume was similar suggesting that the German market provides a stable market for DC exporters.
- Please find below a table with the most important DC supplying to Germany:

Table 3.2 Most important developing countries supplying to Germany in 2006

Developing country	€ million	% of German imports	Average annual growth
Turkey	69	7	-0.4%
China	61	6	38%
Egypt	9	1	-3%
South Africa	5	0.5	-17%
Malaysia	4	0.3	20%

Source: Eurostat (2007)

Imports by product group

Table 3.3 Imports by and leading suppliers to Germany 2002 - 2006, share in % of value

Product group	2002 € mln	2004 € mln	2006 € mln	Leading suppliers in 2006 Share in %	Share (%)
Total sanitary ware and ceramic tiles					
Intra EU	955	925	783	Intra EU: Italy (33%); France (11%); Spain (6%); The Netherlands (4%); Czech Republic (3%)	**76%**
Extra EU	88	90	87	Extra EU: Switzerland (5%); U.A.E. (1%); USA (0.3%); Romania (0.8%); Bulgaria (0.7%)	**9%**
DC*	121	141	156	DC*: Turkey (7%); China (6%); Egypt (0.9%); South Africa (0.5%); Malaysia (0.3%); Thailand (0.3%); Croatia (0.2%); India (0.07%); Macedonia (0.05%); Brazil (0.04%)	**15%**
Plastic sanitary ware:					

Intra EU	145	166	164	Intra EU: Italy (12%); The Netherlands (10%); Denmark (8%); France (8%); UK (7%)	**67%**
Extra EU	47	52	42	Extra EU: Switzerland (13%); Bulgaria (2%); USA (0.5%); Taiwan (0.3%); Israel (0.2%); Bahrain (0.1%)	**16%**
DC*	31	40	43	DC*: China (9%); Turkey (3%); Egypt (2%); South Africa (2%); Croatia (0.7%); Malaysia (0.3%); India (0.1%); Thailand (0.1%); South Korea (0.1%); Vietnam (0.01%)	**18%**
Ceramic sanitary ware:					
Intra EU	136	124	129	Intra EU: France (33%); Hungary (10%); Italy (6%); Poland (6%); Austria (5%)	**76%**
Extra EU	8	8	13	Extra EU: Romania (4%); Bulgaria (2%); Switzerland (0.6%); United Arabic Emirates (0.2%); USA (0.2%)	**7%**
DC*	34	38	39	DC*: Turkey (15%); China (5%); Egypt (1%); Croatia (0.4%); Macedonia (0.2%); Thailand (0.1%); Malaysia (0.1%); Serbia (0.05%); Bosnia and Herz. (0.01%); India (0.004%)	**23%**
Iron/Steel sanitary ware:					
Intra EU	49	51	56	Intra EU: Poland (17%); The Netherland (11%); Italy (8%); Spain (5%); Greece (5%)	**61%**
Extra EU	20	17	19	Extra EU: Switzerland (15%); Taiwan (2%); USA (1%); Norway (1%); Russia (0.4%)	**21%**
DC*	11	12	18	DC*: China (17%); Turkey (1%); India 0.5%); Vietnam (0.3%); Thailand (0.1%); Macedonia (0.1%); Pakistan (0.1%); South Korea (0.04%); Brazil (0.02%); Bosnia and Herz. (0.02%)	**18%**
Unglazed ceramic tiles:					
Intra EU	145	146	91	Intra EU: Italy (75%); France (4%); Spain (4%); The Netherlands (2%); Austria (1%)	**89%**
Extra EU	4	4	3	Extra EU: United Arabic Emirates (3%); USA (0.2%); Switzerland (0.1%); Japan (0.02%); Israel (0.003%)	**3%**
DC*	1	7	8	DC*: Turkey (6%); China (2%); Malaysia (0.3%); Mexico (0.03%); Colombia (0.01%); Thailand (0.01%); India (0.01%); Morocco (0.003%); Serbia (0.002%); Indonesia (0.001%)	**8%**
Glazed ceramic tiles:					
Intra EU	480	437	342	Intra EU: Italy (54%); Spain (13%); France (7%); Czech Republic (5%); Austria (2%)	**86%**
Extra EU	8	8	10	Extra EU: United Arabic Emirates (2%); Japan (0.3%); Switzerland (0.1%); USA (0.01%); Hong Kong (0.03%)	**1%**
DC*	43	45	48	DC*: Turkey (7%); China (3%); Thailand (0.6%); Malaysia (0.6%); Egypt (0.4%); Indonesia (0.1%); Brazil (0.1%); Morocco (0.1%); Mexico (0.01%); India (0.01%)	**12%**

Source: Eurostat (2007)
*Developing Countries

- Between 2002 and 2006 import of sanitary ware increased by 9% while that of ceramic tiles dropped by 26%.
- Between 2002-2006 growth was only realized in the product groups iron/steel sanitary ware (16%) and plastic sanitary ware (9%). All other product groups declined: ceramic sanitary ware (-5%); unglazed ceramic tiles (-32%); glazed ceramic tiles (-25%).
- The most important products imported in the product category sanitary ware in 2006 were porcelain and china sanitary ware (€ 120 million); plastic baths, shower and washbasins (€ 105 million) plastic bidets, lavatory pans, flushing cisterns and similar sanitary ware (€ 89 million) and other sanitary ware of iron and steel including parts (€ 35 million). The imports of ceramic tiles consisted for the most part of glazed ceramic flags and paving, hearth or wall tiles (€ 104 million) and unglazed ceramic flags and paving, hearth or wall tiles (€ 32 million).
- The market share of DC has increased in all product groups most notably in the product group unglazed ceramic tiles. Market penetration of DC imports in Germany was 13% compared to penetration in the EU which was 16%.

Exports

- In 2006, Germany exported a total of 599 thousand tonnes of sanitary ware and ceramic tiles which represented a value of € 1,301 million.
- Germany is the third largest exporter in the EU with a market share of 13%. In 2006, 78% of the total value of German exports came from sanitary ware.
- The EU market knows just two large exporters namely Italy (40%) and Spain (23%). Neighbouring countries The Netherlands and Belgium account for 4% and 1% respectively. The new EU Member States[1] hardly make an impact with a combined market share of 7%.

Table 3.3 German exports of natural stone 2002 – 2006, value in € million; volume in 1,000 tonnes

2002		2004		2006		Average annual growth
Volume	Value	Volume	Value	Volume	Value	
515	1,001	576	1,139	599	1,301	+6.8%

Source: Eurostat (2007)

- The price of German exports has gone up over the years. This is due to fact that German producers are increasingly focusing on the higher-end of the market. This is partly due to the increased competition from suppliers DC with low price/quality products.

Opportunities and threats

+ The imports of DC are expected to continue to grow in coming years.
+ In contrast to other large EU importing countries, prices of goods imported from DC remained stable
+ In all markets but the DIY market, there has been a greater focus on quality with the aim of positioning products in a more profitable segment of the market. DC that can compete in terms of quality will find increased competition but also increased rewards.
- Imports have shown a decline of an average of 3% annually. Thus the forecast is not very favourable in the coming future.

Note that the above-mentioned opportunities and threats do not necessarily apply to your situation and an opportunity for an exporter may be a threat to another. Therefore, please use the developments and trends discussed in the previous chapters to make your own analyses. For an example of such an analysis, please refer to chapter 7 of the CBI market survey 'The Sanitary Ware and Ceramic Tiles Market in the EU'.

[1] The ten new Member States are: Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia, and Slovenia. Bulgaria and Romania have not yet been included in this market survey because they just entered the EU in 2007 and are therefore considered to be Extra-EU 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 ➔ go to 'external trade' ➔ go to 'data – full view' ➔ go to 'external trade - detailed data

4 Prices developments

- Germany is one of the few countries in the EU where the average price of sanitary ware and ceramic tiles from DC did not drop. The exact reason for this cannot be given, however it might be explained by the fact that the German market focuses more on quality and less on price.
- Margins in the industry are under pressure due to rising raw material and energy costs. Raw material prices are likely to remain high over the next year or two, driven by supply shortages, which will continue to add pressure to margins. These factors are likely to maintain pressure on price levels in the market. The rising energy costs have especially had a negative impact of the margins in the ceramics industry.
- In reaction to cheap imports from DC and the growing importance of the DIY market, domestic producers and multinational subsidiaries present in Germany are focusing on the higher-end of the market to gain better margins and are focusing on products that have added value. As a result the middle segment has been slowly declining.
- There is an active investigation by the European Commission into anti-competitive behaviour within the sanitary ware market in amongst other Germany. It is, therefore, paramount to first establish a relationship and then discuss prices, as prices are currently a politically sensitive issue.
- The website of Hagebau provides price information about products sold in the DIY segment:
    - Hagebau - http://www.hagebau.de/ ➔ go to 'Bad & Sanitair'

5 Market access requirements

As a manufacturer in a DC preparing to access Germany, you should be aware of the market access requirements of your trading partners and 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. 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 sanitary ware and ceramic tiles products and Germany in the category search, click on the search button and click on market access requirements.

Packaging
There are many ways of packaging sanitary ware and ceramic tiles, depending on the product, the buyer and the legislation. The exporter should reach an agreement with the importer as to which package to use. Intermediate traders sometimes repackage products.
As there are no standards for packaging sanitary ware and ceramic tiles a few general remarks concerning packing the products for shipment are provided. In general the products are stacked on pallets. Each pallet should not weigh more than 1,500 kilograms since forklift truck are often not capable to lift pallets exceeding this amount. The so-called Euro-pallet (120 cm x 80 cm) is commonly used for relatively small products.

The overall trend in Europe is towards facilitating re-use and recycling of packaging through incentives. In order to harmonise the different forms of legislation, the EU has issued a directive for packaging and packaging materials (Directive 94/62/EC) in which minimum standards are regulated. With effect from 30 June 2002, maximum concentrations of lead, cadmium, mercury and hexavalent chromium allowed in packaging are 100 ppm.

It is worth noting that German regulations stipulate products must be packed for transport in reusable Euro pallets. The Euro pallet is a standard size such that two Euro pallets can be put inside a truck sideways and three in longitudinal direction. In this way the number of pallets transported by a truck can be optimised. European manufacturers believe that the product cost for water closets is increased by up to 5 percent due to increases in transportation cost arising from the compulsory use of Euro pallets for exports to Germany. This estimate depends on the type of product, and assumes pallets cannot be stacked one on top of another. Further, the need for packaging that uses recyclable material can be a source of additional transport costs to Germany.

Marking and labelling
CE-marking system with regard to construction products (incl. sanitary ware and ceramic tiles) is being regulated by Directives 89/106/EEC and 93/68/EC and by decision 93/465/EC concerning the modules for the various phases of the conformity assessment procedures and the rules for the affixing and use of the CE conformity marking. The CE marking is neither a mark of origin, nor a quality mark, and producers from third countries are enabled to label their products with CE mark. The CE-marked product may also bear different marks arising from other systems, such as a voluntary quality mark or a voluntary standardization mark concerning non-harmonized aspects.

Green Dot
The Green Dot label is increasingly essential for marketing products in the EU countries due to growth of waste and disposal problem concerns. The license fees to use the symbol finance the separate collection, sorting and – in the case of plastics – recycling of sales packaging. Germany having been the initiator, to date, 19 countries are already using the Green Dot as financing mark for the collection, sorting and recycling of sales packaging. The ten EU member states Austria, Belgium, France, Germany, Greece, Ireland, Luxembourg, Portugal, Spain and Sweden have set up private systems for this purpose, but also the new EU countries Czech Republic, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia have followed suit. According to Green Dot classification, sanitary appliances and ceramic tiles fall under “Do-it-yourself articles, paints, tools, etc” product group. Exporters from third countries cannot apply for a license by Dual System and they should have recourse to the importer from the European economic area, the latter being enabled to apply. More information on Green Dot can be found at http://www.greendot.ie/specs.html.

Firms entering the German market are strongly advised to examine EU as well as national law. As much as the legislation regarding labelling is still in the development stage, EU labelling regulations and standards need to be carefully monitored.

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.

Advertising
Advertising and communication are crucial for establishing and maintaining business relationships. The Internet is playing an increasingly important role to share and exchange information. In particular, the development of business-to-business portals (B-to-B) and having your own well-maintained website can promote interest in your company and product. Moreover, attending specialized trade fairs is a good way to be introduced to the German market and get a better understanding of the market.

Trade fairs
- Saalebau - http://www.saalebau.halle-messe.de/sabau2008/index.php - building and construction expo
- Domotex- http://www.domotex.de – large expo for ceramic tiles and natural stone
- Ceramitec - http://www.ceramitec.de/ - expo for the ceramic industry

Trade press
- Ceramic Forum International - http://www.cfi.de/
- DIY in Europe – www.diyonline.de
- Haus & Woning – www.h-u-w.de – home decoration magazine
- Deutsched Bauzeitung – www.db.bauzeiting.de – German construction newspaper

This survey was compiled for CBI by CREM BV

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