CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN DENMARK

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Introduction

This CBI market survey gives information on some main developments in the domestic furniture market in Denmark. 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.eu/marketinfo.

1 Market description: consumption and production

Consumption

The Danish market for domestic furniture was valued at € 1.3 billion in terms of retail sales in 2008. In the same year, Danes spent € 241 per capita, which was much higher than the EU average of € 161. Danes spent around 6% of their income on furniture. Denmark was the thirteenth largest furniture market in the EU and had a similar market value to a cluster of other countries, including Greece, Poland, Finland and Portugal.

Table 1.1 Consumption of domestic furniture in Denmark, 2004-2008, € million

2004	2005	2006	2007	2008	Average ann. % change	Population (million)	per capita in €	Occupants per household	Households (thousand)
1,200	1,215	1,230	1,339	1,323	2.5	5.5	241	2.2	2,548

Source: Danish Furniture Industry, Trade estimates (2009)

The average annual increase of 2.5% between 2004 and 2008 was above the EU average. The market was fairly static in 2008 after strong growth in 2007. Living standards are relatively high in Denmark and this reflects the preference for high quality products, both in terms of the materials used and the designs preferred.

Trends in consumption

Back to basics and the use of raw wood is the key consumption trend in Denmark. As a natural consequence of interest in a more sustainable lifestyle, consumers want wholesome and unprocessed materials in the home. This translates into greater accountability - and this is reflected in the choice of furniture and materials. Unneccesary things have been removed from lifestyles and simplicity is key. Raw wood has to be vibrant, warm and expressive.

There is an increasing desire to spend more time at home, particularly in autumn and winter months. This increases the importance of home decoration. In addition, there has been an increase in the demand for high-quality designer furniture – primarily classic Danish designs from the 1950s and new styles from other European countries, particularly Italy.

Demographic trends continue to be an important factor in the choice of furniture. The key points are the increase in single-person households, the increase in the number of older consumers, and the increase in individualism in design and living styles. Both groups demand smaller furniture items and combination units, which are multi-purpose and space saving, but convenient and attractively designed. Danes prefer their home to be an expression of how they feel about themselves. They are less interested in following mass fashion trends.

Consumption by product group
In terms of the respective product groups, it is estimated that upholstered furniture was the largest group, accounting for 29% of sales; kitchen furniture 25%; dining/living room furniture 23%; bedroom furniture 16% and other furniture 7%.

Market outlook
The furniture market in Denmark will not escape the global economic slowdown and the market may well contract slightly in 2009. However, Danes are among the most optimistic of nations and consumer confidence in spending on higher value items is likely to return earlier here than in most other countries. According to Statistics Denmark, consumer confidence has been increasing consistently throughout 2009.

Production
Denmark is one of the world's leading furniture producers with neighbouring countries being rich in natural resources. The Danish furniture industry has a strong reputation for quality and style throughout the world. Denmark is the eleventh largest furniture manufacturer in the EU, similar in size to Austria, the Netherlands, Belgium and Sweden.

In 2008, Danish production was valued at € 1.8 billion, 80% of which was exported. This is a mature industry and despite its international reputation, it registered a decrease in production over the review period. This was primarily due to a significant fall in 2008, with the biggest falls in bedroom and dining and living room furniture. Much of this drop in production can be explained by large decreases in exports, particularly to the main markets of Germany, Sweden, the UK and USA, as a result of the global economic slowdown.

Table 1.2 Production of domestic furniture in Denmark, 2004-2008, € million

2004	2005	2006	2007	2008	Average ann. % change	Number of companies 2006	Number of employees 2006
1,943	2,014	2,014	2,053	1,842	-1.3	805	14,683

Source: Danish Furniture Industry, Eurostat (2009)

Denmark has been at the forefront of the international designer furniture trade since the 1950s. Design classics by famous names in architecture and a new generation of innovative furniture designers ensure that this prominent position is maintained. In addition, the industry incorporates a sizeable production of kitchen elements, and sub-contract manufacture of furniture components is a significant facet of the industry. Most furniture manufacturers are located in Jutland and the Salling Peninsula areas.

According to the Danish Furniture Industry, in 2008 domestic furniture production was segmented as follows: kitchen furniture 23%; chairs and seating 20%; other furniture 18%; bedroom furniture 16%; wooden dining and living room furniture 14% and furniture parts 8%.

Some interesting manufacturers include:
- Carl Hansen - http://www.carlhansen.com - located in Aarup, is a designer and producer of contemporary furniture since 1908, selling chairs, sofas and tables. It uses different woods including oak, cherry, walnut and beech.
- Niels Bach - http://www.nielsbach.dk - specialises in high quality furniture in exclusive designs and finish, in solid teak, oak and steamed beech.
- Paradise - http://www.paradise-furnitures.com - located in Kolind, is manufacturer of ergonomic and wooden furniture, supplying chairs and tables.
- Hammel Furniture - http://www.hammel-furniture.dk - focuses on creating fine furniture uniting traditional artistry with modern design. It is a socially conscious company and uses organic raw materials.
- Other manufacturers can be found at http://www.danishfurniture.dk.

Trends in production
In recent years the industry has outsourced parts of its production to sub-suppliers and to own production sites in countries with lower labour costs. Furthermore, a number of components and ready-made furniture is bought abroad with the intention of resale.

Productivity levels are already very high in the Danish industry and it is one of the most competitive industries in the world despite relatively high labour costs.

Opportunities and threats
+ The importance of sustainability and environmental consideration for Danish consumers will provide opportunities for those exporters that can demonstrate good working practices and the supply of materials from sustainably sourced forests.
+ Demographic trends in Denmark provide a good basis for identifying opportunities. Smaller-sized furniture for single person households and distinctive designs, perhaps reflecting characteristics of country of origin will appeal to Danish individualistic tastes.
+ Other opportunities may exist in becoming a partner with a domestic producer. It has been noted that there is some dissatisfaction with some Chinese outsourcing companies because of quality and transportation issues.

Many exporters will also be viewing the opportunities available on the Danish market. Any of these trends can equally be an opportunity for one exporter but a threat to another. Buyers are not always loyal to specific suppliers, so you could lose out to a supplier from your own country or another developing country.

More information on opportunities and threats can be found in Chapter 7 of the CBI market survey 'The domestic furniture market in the EU'.

2 Trade channels for market entry

Due to the traditional strength of the Danish furniture industry, the furniture market is characterised by intense competition and an excess of supply over demand. The market is quite concentrated and the reducing influence of the independent sector makes this a difficult market for DC exporters.

One important supply route is to provide parts to the Danish furniture manufacturing industry. Wholesalers and importers, as well as purchasing agents, also import ready-made furniture. Some work as wholesalers and agents at the same time. The Danish Furniture Agents Association - http://www.dm-agent.dk - and the Danish Association of Commercial Agents and Exclusive Distributors - http://www.commercial-agents.dk - are good contacts. Sometimes large retailers import furniture directly.

Interesting wholesalers and importers include:
- A Trend - http://www.atrend.dk - is a wholesaler that has been operating since 2004, with over 17 years retail experience in the furniture trade.
- Gangso - http://www.gangso.dk - located in Farvang, is a wholesaler of high quality contemporary furniture, supplying chairs, sideboards and dining tables.
- Cane Line - http://www.cane-line.dk - is a leading supplier of wicker furniture. It designs its products in Denmark, but uses suppliers in Asia for production.
- Esmatex Mobler - http://www.esmatex.dk - located in Valby, is a wholesaler of contemporary living room furniture.

Retail trade
According to market research specialist Mintel, over 3,000 outlets sell furniture and household appliances, of which over 750 outlets are specialists. Large specialist retailers dominate the market, of which IKEA - http://www.ikea.com/dk - is the market leader, with 4 outlets. Other important players are Jysk - http://www.jysk.dk - with 93 outlets, Idé Møbler -

http://www.idemobler.dk - with 38 outlets, Ilva - http://www.ilva.dk - with 4 outlets, and BoConcept - http://www.boconcept.dk - with 13 outlets.

Buying groups are important in Denmark. Smag & Behag - http://www.smagogbehag.dk - is part of the German Garant Furniture Group, operating 23 outlets. Dan-Bo Møbler – http://www.danbomoebler.dk - is a buying group with 32 outlets.

Non-specialists are also very important channels for furniture sales. DIY stores (Silvan, Rad & Dad, Byggekram, Jem & Fix, Bauhaus), department stores such as Illum - http://www.illum.dk - and mail order operators such as Harald Nyborg - http://www.harald-nyborg.dk - account for an increasing proportion of sales.

The Internet has become a very important trade channel in Denmark. Internet usage in Scandinavia is higher than anywhere else in Europe, but for furniture it is still quite low.

Price structure
Margins are not discussed openly in Denmark, but as more companies try to gain larger market shares and control more distribution, the levels of margins earned are reducing, and greater discounts need to be offered to persuade wholesalers to take on new products. The mark-up for retailers of furniture averages between 40–80% of the wholesale price, depending on which market segment is being targeted. Agents' mark-ups are between 5-12%. The margin figures quoted in Table 2.1 are calculated as a percentage of the price purchased from whom they buy in the chain, not as a percentage of the CIF price.

Table 2.1 Overview of margins in domestic furniture

	Low	High
Importers/wholesalers' margins	20%	35%
Agents' margins	10%	15%
Retailers' margins	40%	80%
Mark-up CIF price - Consumer price	**2.1**	**3.1**

The VAT rate in Denmark is 25%. More information can be found in Chapter 3.2 of the CBI market survey 'The domestic furniture market in the EU'.

More information on trade structure and business contacts can be found at the Danish Import Promotion Programme - http://www.dipp.eu, the Danish Chamber of Commerce - http://www.htsi.dk – and at http://www.branchelink.dk.

3 Trade: imports and exports

Imports
In 2008, Danish imports of domestic furniture were valued at € 892 million, or 294 thousand tonnes. Out of the 27 EU countries, Denmark was ranked tenth largest in value and twelfth largest in volume, and as such was regarded as a medium-sized country for domestic furniture imports. This was ahead of the Czech Republic and Poland in value, but just behind these countries in volume.

Between 2004 and 2008, Danish imports increased by an average of 4.9% per annum in value (from € 736 million) and by 3.3% in volume (from 258 thousand tonnes). China was the leading source of imports. Sweden and Norway were the major source of European imports, followed by Germany, Italy, Poland and Lithuania.

Exports were 60% higher than the value of imports, and exports exceeded imports by over 80% in volume in 2008. Imports were increasing while exports were decreasing. The same period has seen a small decrease in domestic furniture production and an above average annual increase in consumption. Although production was high, imports were taking a larger share of the market.

By source, around 33% of Danish imports, valued at € 291 million or 129 thousand tonnes, came from developing countries in 2008 (44% by volume). This proportion was 25% in 2004 (33% by volume). China accounted for 74% of all developing country supplies by value in 2008, followed by Vietnam (8%) and Indonesia (7%). Malaysia, Thailand, Ukraine, India and Turkey were also important suppliers. While China's supplies increased by an annual average of 22% over the period, the share of supplies from the other leading suppliers decreased over the period, especially Indonesia.

By product group, Danish imports by value were sub-divided as follows:

- The leading two groups were upholstered seating with 29% of value and 17% of volume (€ 256 million or 51 thousand tonnes) and furniture parts with 27% of value and 28% of volume (€ 240 million or 82 thousand tonnes).
- Non-upholstered seating represented 13% of value and 12% of volume (€ 117 million or 34 thousand tonnes) and dining/living room furniture represented 12% of value and 17% of volume (€ 107 million or 51 thousand tonnes).
- The remainder was taken up as follows: other furniture (€ 89 million), bedroom furniture (€ 42 million), kitchen furniture (€ 25 million) and rattan furniture (€ 6 million).

Exports

Domestic furniture exports from Denmark were valued at € 1.4 billion in 2008, representing 539 thousand tonnes. Bedroom furniture was the largest group of exports. Between 2004 and 2008, the average annual decrease in exports was 5.9% by value and 8% by volume. Re-exporting does not appear to be a major feature of the Danish market, although there may be a limited amount with its Scandinavian neighbours. In 2008, the main destinations for Danish exports were Germany, Norway, Sweden, France and the UK.

Opportunities and threats

+ The main growth opportunities for developing country suppliers are in upholstered seating and furniture parts. Both have seen impressive DC growth in recent years.
+ Other notable opportunities are in items for non-upholstered seating and dining/living room furniture.
- On the other hand, bedroom furniture has not performed well, and imports of other furniture fell, although detailed figures are not available for this group.

See Chapter 7 of the CBI market survey 'The domestic furniture market in the EU' for more information on opportunities and threats.

Useful sources

- EU Expanding Exports Helpdesk - http://exporthelp.europa.eu/
- Eurostat – official statistical office of the EU - http://epp.eurostat.ec.europa.eu;
- Understanding eurostat: Quick guide to easy comext ➔ http://www.eds-destatis.de/en/database/download/Handbook_Comext_Database.pdf

4 Price developments

Consumer prices

Consumer prices of domestic furniture in Denmark were below the European average. In terms of purchasing power, prices in Denmark were similar to prices in Austria. Denmark is home to Bo Concept and Ilva, two trend-setters in the EU market who have set new standards and deliver competitive prices to match.

According to Eurostat, furniture retail prices increased by 3.3% between 2004 and 2008, but by 1.9% in 2008, indicating rising prices after a period of relatively limited price movements. This compared to furniture retail price increases of 6.7% for the EU as a whole, but 2.6% for

2008. This also compares with the all-price index in Denmark, which was 9% higher in 2008 than in 2004. Hence furniture price increases in Denmark were below the EU average and well below the all-price index in Denmark.

The website of Danish National Statistics - http://www.statbank.dk - publishes harmonised indices of consumer prices, which includes the furniture sector. Current prices can be found at IKEA - http://www.ikea.com/dk, Danish retailers Ilva - http://www.ilva.dk - and Jysk - http://www.jysk.dk. In a price comparison of the same IKEA products in 18 EU countries, Denmark ranked sixth highest. See Chapter 5 of the CBI survey 'The domestic furniture market in the EU' for more details.

Import prices

Although the industry does not make price agreements based on tonnage, it is useful to see how import prices compare. There is an upward trend in import prices. As Table 4.1 highlights, import prices are increasing. However, import prices to Denmark were above the EU average, but developing country import prices were increasing at a lower rate than import prices from other sources. Please note these trends should be interpreted with care, as changes in imports do not always reflect changes in demand.

Table 4.1 Development in Danish average import values/prices, 2004 – 2008, €

	2004 ave price per '000 tonnes	2006 ave price per '000 tonnes	2008 ave price per '000 tonnes	ave. Annual % change
Total imports	2.85	3.08	3.03	1.5
Intra-EU	2.77	2.96	3.27	4.2
Developing countries	2.15	2.32	2.25	1.1

Source: Eurostat (2009)

5 Market access requirements

As a manufacturer in a developing country preparing to access Denmark, you should be aware of the market access requirements of your trading partners and the Danish government.
For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select domestic furniture and Denmark in the category search, click on the search button and click on market access requirements.

Harmful substances used in the production of furniture should be reduced as much as possible. More information on the allowed use of chemicals can be found at the Danish Environmental Protection Agency - http://www.mst.dk.

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

Information on tariffs and quota can be found at http://exporthelp.europa.eu/

6 Doing business

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) and cultural differences can be found in CBI's export manuals 'Export Planner', 'Your image builder' and 'Exporting to the EU'. These can be downloaded from http://www.cbi.eu/marketinfo - go to search publications. For more information on doing business in Denmark, visit the following websites:

- The Association of Danish Furniture Industries - http://www.danishfurniture.dk.

- The Furniture Retailers Association - http://www.moebler.com or http://www.moebler.dk.
- CODE, the Copenhagen Design Fair - http://www.bellacenter.dk or http://www.furniturefair.dk - takes place in September each year at the Bella Center.
- Møbel&Interiør is the main furniture trade publication, published by the Association of Furniture Industries (see above). Erhvervsbladet – http://www.erhvervsbladet.dk - is a business magazine targeting small businesses.
- The Scandinavian Retail Institute – http://www.retail-institute-scandinavia.dk.
- The Federation of Danish Industries - http://www.di.dk - and the official Danish website - http://www.denmark.dk - are important contacts.
- The Danish Import Promotion Programme – http://www.dipp.eu - may be helpful. It provides information on exporting to Scandinavia.

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