CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN GERMANY

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Report summary
This CBI market survey discusses the following highlights for the domestic furniture market in Germany:

- The German market for domestic furniture was valued at € 18.4 billion in 2008, an average annual decrease of 0.7% since 2004. Domestic furniture production was estimated to be € 14.9 billion in 2008, representing an average annual increase of 3.4% since 2004.
- In 2008, Germany imported domestic furniture valued at € 6.7 billion, or 2.1 million tonnes. This represented an average annual decrease in value of 0.4% since 2004. In terms of volume, the annual decrease was 2%.
- 22% of German imports by value (€ 1.5 billion) came from developing countries and 23% (488 thousand tonnes) by volume. The share of supplies from developing countries was up from 17% in value (€ 1.2 billion) in 2004, and up from 17% in volume terms (from 402 thousand tonnes). Germany had a below average share of developing country imports compared with other EU countries for this sector. This was partly because some supplies come from other transit countries such as the Netherlands.

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 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

Total market size

Germany was the largest EU market for domestic furniture and was valued at € 18.4 billion in 2008. This represented a 1.1% decrease over 2007 and an average annual decrease of 0.7% since 2004. This decrease was below the EU average decrease of 2% for the year and 1.1% since 2004. The German market was 35% larger than the next country, Italy. Per capita consumption of € 224 was well ahead of the EU27 average of € 161.

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

2004	2005	2006	2007	2008	Average ann. % change	Population (million)	per capita in €	Occupants per household	Households (thousand)
18,938	18,836	19,156	18,620	18,415	-0.7	82.3	224	2.2	39,122

Source: BBE (2009)

Although sales of domestic furniture fell in 2008, German consumers have remained relatively optimistic throughout the global downturn. This optimism has meant that the market has performed reasonably well bearing in mind the negative economic environment.

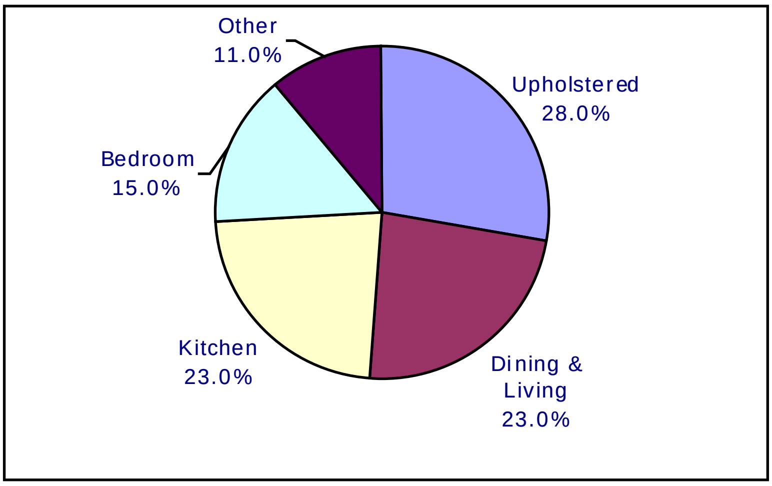
There has been significant price competition in the market in 2008, with the value segment taking sales from the mid-market segment. Apart from this, sales of furniture from sustainable sources have also been maintained, while other segments have declined.

Ownership of homes in Germany is relatively low. Over half the population live in rented accommodation. However, home ownership is increasing, as it is becoming accepted that owning your home could be a good financial investment for old age.

In terms of the relative performance of different products, sales of small dining tables, 2 or 3 piece dining suites, rustic dark kitchen cabinets, smooth upholstery and bulky items of furniture have all seen sales go down. Meanwhile wall units with flat and long sideboards, adjustable upholstered furniture, walk-in closets, white furniture – either upholstered or the colour for cabinets, and stylish freestanding furniture have all maintained their sales.

In terms of value, each product group is valued according to percentages outlined in Figure 1.1, based on the total market size described in Table 1.1. Hence, upholstered seating was valued at € 5.2 billion; dining and living room furniture was € 4.2 billion; kitchen furniture was € 4,2 billion; bedroom furniture was € 2.8 billion and other furniture was € 2 billion.

Figure 1.1 German domestic furniture consumption by product group, % value, 2008



Source: Eurostat (2008)

Market outlook

Retail sales of furniture and household goods increased by 1.4% in July 2009 according to German National Statistics. This is a clear sign of confidence returning to the market but confidence levels remain lower than the previous year despite climbing from the low point at the turn of the year. It is likely that the market will either register a small decline or perhaps remain static in 2009.

Germany appears to be emerging from the economic downturn. Although market commentators have said that German consumers have been increasing their savings and taking advantage of the government scrappage scheme to purchase cars, this has been to the detriment of spending on consumer durables such as furniture. This is creating delayed demand, which should result in the market returning to growth in 2010.

Market segmentation

The most commonly used means of segmenting the market is by room. It is used widely in the trade, partly because furniture retailers tend to present furniture ranges in the context of where they will be used by building 'room sets' so that consumers will more easily visualise how the item of furniture will appear. Two other forms of segmentation are illustrated here to highlight the benefit of looking more closely at different consumer types.

- *Segmentation by age and gender*

More than 80% of over-14 year olds are interested in home interior information. Of these one third are particularly interested and 20% consider themselves to be experts, seeking out and giving tips and advice. Two thirds of these people are women. 41% of Germans are interested in modern design and living, according to media experts Allensbach (47% women compared to just over one third men). However more men are becoming interested in furniture, partly because more men now live alone, and also because the increasing amount of technology built into furniture is more appealing to men.

As well as indicating the importance of women in the market, the following table also highlights the differences between different age groups in the type of furniture they own and their future purchase intentions.

Table 1.2 Ownership and purchase intention of furniture type by age, %

	Population (millions)	High quality stylish furniture		Modern designer furniture		Flat pack furniture	
		Own	Intend to buy	Own	Intend to buy	Own	Intend to buy
Total over 14 years	64.88	10.2	0.6	7.0	1.3	48.1	3.5
Men	31.47	9.3	0.4	6.9	1.3	48.8	3.3
Women	33.41	11.1	0.7	7.0	1.4	47.4	3.6
14-19 years	5.14	7.8	0.4	8.7	2.1	60.5	5.5
20-29 years	8.48	5.3	0.9	5.7	1.6	71.0	7.3
30-39 years	9.66	6.0	0.8	8.1	2.0	68.2	4.9
40-49 years	12.33	7.9	0.5	8.6	1.6	60.1	3.8
50-59 years	9.85	12.8	0.5	8.4	1.3	43.2	2.3
60-69 years	9.45	15.6	0.8	6.1	0.8	26.0	1.1
70 years+	9.97	14.9	0.2	3.4	0.2	13.7	0.8

Source: Allensbach (2008)

This table clearly indicates that younger people are more likely to own or buy flat pack furniture, while older consumers are more interested in high quality stylish furniture. The 40-49 age group is the largest segment in terms of size.

- *Segmentation by income*

Income is an important determinant of how much consumers spend on furniture and the type of furniture they buy. As shown in Table 1.3, households with the highest levels of income tend to buy more furniture. They are also more likely to purchase modern designer furniture or high quality stylish furniture. These types of furniture tend to be more expensive than flat pack furniture.

Table 1.3 Ownership and purchase intention of furniture type by monthly household income, %

	Population (millions)	High quality stylish furniture		Modern designer furniture		Flat pack furniture	
		Own	Intend to buy	Own	Intend to buy	Own	Intend to buy
Total over 14 years	64.88	10.2	0.6	7.0	1.3	48.1	3.5
Under € 1,000	6.25	6.0	0.9	3.3	0.9	44.2	4.3
€ 1,000-1,500	10.61	6.6	0.5	3.7	0.9	39.6	2.6
€ 1,500-2,000	11.77	8.6	0.5	4.9	1.0	44.6	3.5
€ 2,000-2,500	9.83	11.0	0.3	4.8	1.2	47.3	3.2
€ 2,500-3,500	14.91	10.6	0.6	7.8	1.4	54.3	3.6
Over € 3,500	11.52	16.4	0.6	14.8	2.3	54.3	4.0

Source: Allensbach (2008)

Market trends
A wide range of factors are impacting on how demand for domestic furniture is changing. This can range from simple changing tastes for particular furniture designs to more fundamental lifestyle changes that determine the type of furniture that is required in homes.

- ***Entertaining at home***. Although there has been a decline in sales of formal dining tables, the open area of the house featuring the 'kitchen, eating, living area' has become more important. More dining and socialising at home has seen an increase in demand for armchair dining chairs. People are spending more time at the table talking and this has led to a growth in convenient, high dining chairs with cushioning and sometimes swivel – away from plain, upright dining seats. This has also led to larger rectangular dining tables that can accommodate up to 10 people. Many homes can now accommodate this size of table due to the growth in open plan living. For these tables, longevity, quality and sustainability are more important than price.
- ***Quality over quantity***. This is not just a short term fashion. Consumers seem to be adopting this as a lifestyle. Contemporary furniture is now reflecting these values, in the shape, colour and performance of furniture items. Value and uniqueness, such as flexibility, high comfort and high tech, play an equally important role. They also must not contradict sustainability, ecology, and excellent value for money. Honesty, credibility and moral values have assumed a new meaning. Short-term, superficial pleasure has taken a background role.
- ***Homes becoming more fluid***. Consumers are designing their homes in the way that suits their own lifestyle. For some this will mean the boundary between kitchen and living room is disappearing; for others the boundary between the bathroom and the bedroom is disappearing, some are turning this into a private spa area; comfortable sofas incorporating dining trays; the media centre becoming the hub of the home – access to music, TV and PC in all rooms. Digital technology is enabling this. Discrete lighting in more parts of the house is helping to create atmosphere. Home office is part of this fluidity. Other room types are also becoming more popular. For example, a green room tries to bring the spirit of outdoors into the home, and fires are returning to homes because of the atmosphere they create.
- ***Urban sensibility***. This trend reflects a desire to connect with nature. Consumers want to integrate hi-tech living with the natural world. This means that interest in conservation and solid wood furniture are related. Wood is recognised as a very versatile product. Walnut, oak and cherry are popular. The classic combination of black and white furniture is also returning.
- ***Leave it to the professional***. An increasing number of German households are making use of professional designers to advise and suggest furniture products and home interior designs. This is related to the continuing popularity of home interest TV programmes and magazines. Consumers often do not have the confidence to make fundamental design changes to their home themselves. Hence they turn to professional advisors.
- ***Evolving styles***. Round forms that are soft on the eye are now more popular than sharp, angular designs. Floral ornaments and baroque styles are used not as a single theme but as an eye-catching part of a simpler design. Highboards, sideboards and lowboards are replacing traditional wall cabinets. Blue is the most popular colour now for upholstery. Lounge chairs as relaxers, or places to 'chill out' are replacing more conventional sofas in some homes.
- ***Catering to older consumers***. The elderly are the economic engine of the future in Germany. Over 60s will represent 40% of the population by 2020. They are also more healthy, mobile and affluent than ever before. Furniture designs are catering to their needs now, rather than the under 50s.
- ***E-commerce***. The proportion of sales made online is expected to double to over 6% in 2010. This has implications for how manufacturers should market their products to consumers. It also has implications for storage, packaging and other logistics.

Production
Total production
The value of domestic furniture production in Germany was € 14.9 billion in 2008, representing an average annual increase of 3.4% since 2004. This was a very strong performance despite

the significant competitive pressures from lower-priced imports. The industry maintained its growth in 2008 when most other major producers were suffering from the global economic downturn. Germany was the second largest producer in the EU after Italy. These two countries accounted for 40% of all EU domestic furniture production between them.

Most furniture production in Germany is concentrated in the North Rhine-Westfalia, Bavaria and Baden Württemberg regions. The gains in the industry have primarily been due to increases in exports rather than increases in sales to the domestic market. The companies that have been successful are not always the biggest. Those manufacturers that recognise trends well in advance and are able to implement those designs and communicate to end consumers will succeed. Innovation, design and use of current materials were the most important criteria.

Table 1.4 Production of domestic furniture in Germany, 2004-2008, € million

2004	2005	2006	2007	2008	Average ann.% change	Number of companies 2006	Number of employees 2006
13,001	13,052	13,940	14,636	14,870	3.4	8,878	123,837

Source: German Furniture Industry, Eurostat (2009)

The industry has taken a major downturn in 2009, particularly in the early part of the year. The industry will recover in the later part of the year but overall 2009 will see the industry contract considerably.

According to Eurostat, kitchen furniture was the largest segment of German domestic furniture production in 2008, representing a 40% share, valued at € 5.9 billion, followed by furniture parts (€ 2.5 billion or 17%); bedroom furniture (€ 2.4 billion or 16%); other furniture (€ 2.3 billion or 15%); dining and living room furniture (€ 1.4 billion or 9%); non-upholstered furniture (€ 320 million or 2%) and rattan furniture (€ 87 million or 0.5%). In terms of changing trends, kitchen furniture production has seen the greatest increases in share. Eurostat does not provide information on upholstered seating, but this represented approximately 9% of production in 2005.

Some interesting players in Germany include:

- Annex – http://www.annex.de - located in Enger, has manufactured modern kitchen furniture since 1993.
- Steinhoff - http://www.steinhoffinternational.com - is well known for its production of leather furniture.
- Ponsel - http://ponsel.de - located in Weidhausen, designs and produces contemporary furniture including sofas, in Mediterranean and sophisticated styles. It has an online catalogue. Environment consideration is the main priority.
- Allegro Moebel -http://www.allegro-moebel.de - located in Melle, is a manufacturer of designer furniture, especially living room furniture and hi-fi units. This company was established in 1976.
- Nolte - http://www.nolte-moebel.de - is a major producer of contemporary bedroom furniture.

A list of other manufacturers can be found at http://www.wohninformation.de.

Trends in production

The key trends in production relate to attempting to maintain competitiveness in relation to downward pressure on prices, and also to attempt to continue to innovate to draw attention away from price.

- ***Use of outside suppliers for assembly.*** There is a trend to increased exports of components, which are assembled abroad in eastern EU countries or in Asia. Many manufacturers have already relocated production overseas. Greater emphasis is being placed on design, quality control and finishing.

- ***Networking, smaller units and flexibility***. Manufacturers are looking at all ways to reduce costs. Flexibility is key to be able to respond quickly to product changes but also in being able to share certain overheads with other partners in a network.
- ***Sustainability***. There has been an increase in products using lighter hardwoods and a decline in products using tropical hardwoods. This has been driven by environmental pressures, as well as by consumer demand.

Opportunities and threats

+ Opportunities can be found if DC exporters can understand the needs of German consumers, particularly in relation to the relationship between quality and value. Although the market has been very price driven in the recession, consumers are looking for best value rather than cheapest price.
+ The main opportunities are in living room furniture that is related to the growth of home cinema. As well as items that facilitate the usage, storage and display of this equipment, new, more flexible forms of seating will also be required. Opportunities can also be found in bedroom furniture. Exporters need to understand the importance of the right mood in this important room. Opportunities can also be found in modern developments in kitchen/dining.
+ There is a wide range of wood species that are popular in Germany. Consumers would genuinely be interested in new species that have not yet been seen, provided they meet the strict environmental standards expected in this market.
+ The growing proportion of ageing consumers in the population will require more ergonomic furniture. Adjustable chairs and recliners will provide good opportunities.
+ Some German producers are looking for outsourcing partners to help with their export competitiveness.

- There are also many furniture producers on the doorstep, especially in Poland and Slovakia, who are trying to forge closer relationships with German manufacturers. Developing country exporters need to be able to meet the high and exacting standards of German producers if they are chosen to form partnerships in preference to suppliers from Eastern Europe.

Equally any of these trends can be an opportunity for one exporter, but a threat to another. The outcome of this analysis will depend on the specific situation of each exporter. German buyers are not always loyal to particular overseas suppliers, so you may lose out to a supplier from your own country or neighbouring country.

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

Useful sources

- Details of commercial research organisations that produce market reports can be found in Chapter 1 of the CBI market survey 'The domestic furniture market in the EU'.
- As well as production figures from Eurostat, the German Federal Statistical Office - http://www.destatis.de - is a source of production information.
- Euromonitor - http://www.euromonitor.com - publishes country-specific reports on retailing, and also focuses on the home furniture sector.
- Mintel - http://www.mintel.com - has information on the structure of German trade in its European Retail Directory and sometimes produces specific reports.
- The Furniture Industry Research Institute - http://www.csilmilano.com - publishes reports on the furniture market in Germany.
- Sources of consumer research include the EHI Retail Institute - http://www.ehi.org, Grüner & Jahre – http://www.gujmedia.de, BBE Retail Experts - http://www.bbe-retail-experts.com - and BBW - http://www.bbwmarketing.de. Market information can also be purchased from http://www.titze-online.de.
- Other general information sources include http://www.wiwo.de and http://www.medialine.de.
- Details on other important trade associations can be found in Chapter 6.

2 Trade channels for market entry

Trade channels

The German furniture market has a varied system of distribution and a wide number of commercial operators, including manufacturers, wholesalers, retailers, agents and consumers. The key distinction is between traditional and non-traditional channels. Traditional channels include direct importing and the retail trade, which includes specialist retailers, technical specialists (eg kitchen specialists), independent retailers and large non-specialists including DIY, hypermarkets, department stores and mail order. Non-traditional channels include electronic commerce (either business to business – B2B, or business to consumer – B2C), factory outlets, TV shopping and direct sale by manufacturers.

The ***traditional channel dominates***, accounting for 78% of all distribution. Wholesalers and importers are important routes to reach the remaining independent specialist retailers that do not belong to a buying group. Furniture agents are also important in the furniture supply chain. You can find agents at the Association of Commercial Agents and Brokers - http://www.cdh.de or http://en.hv.cdh24.de. The Federation of German Wholesale and Foreign Trade can provide advice on importing into Germany – http://www.bga.de.

Interesting wholesalers and importers include:
- ABBCO - http://www.abbco.de - located in Reilingen, deals with bedroom furniture.
- Akroform - http://www.moebel-akroform.de - located in Chemnitz, is a wholesaler of a wide range of furniture products including upholstered furniture.
- Heart Grosshandel - http://www.productpilot.com - located in Euskirchen, is an importer of ethnic furniture and colonial items.
- Awi Wohndesign - http://www.awi-wohndesign.de - located in Bielefeld, deals with teak and rattan furniture. This company works specifically with Indonesia.
- Top Mobel - http://www.alibaba.com/member/topmobel/aboutus.html - located in Frankfurt, deals with furniture from India, China or Indonesia.

Links to wholesalers and importers can also be found via http://www.germanfurniture.de.

Retail trade

There are 10,000 specialist furniture outlets in Germany, and 14,000 retail outlets in total where furniture is sold. The market is very competitive and is characterised by a lot of discounting and special offers, as well as mergers, acquisitions and bankruptcies. Although there are a large number of retail outlets, the trend to concentration continues. Niche retailers with innovative sales concepts are achieving some success, as the trade tries to move away from its dependency on price.

Buying groups are very strong in the German furniture market, accounting for over 60% of the market. The main buying groups are Begros - http://www.begros.de - with 10 businesses and 120 outlets, including XXXLutz, Porta, Ostermann, Möbel Finke, Möbel Billa, Möbelstadt Sommerlad and Möbel Martin; Garant - http://www.garantmoebel.de - with 1,300 outlets in Germany and over 3,000 worldwide; Union - http://www.union-moebel.de - with 27 outlets; Europa Moebel Verbund - http://www.emverbund.de - which buys on behalf of 15 separate trading companies covering 537 outlets; and VME - http://www.vme-online.net - with 320 outlets. Other buying groups include Atlas (including Segmüller), Alliance, der Kreis, VKg, Gfm-Trend-Regent Wohngruppe and MHK.

In the ***specialist segment***, IKEA - http://www.ikea.com/de - is the clear market leader with a turnover of over € 3 billion from 45 outlets. Höffner - http://www.hoeffner.de - has 20 outlets and is part of the Möbel Walther Group, which also includes Sconto - http://www.sconto.de. Many of the other leading specialist chains are part of buying groups. Roller - http://www.roller.de - has 82 outlets, while Dänisches Bettenlager (owned by Jysk) is also well represented on the market with 627 outlets.

Table 2.1 Share of Retail Distribution in Germany, 2008, % value

Outlet Type	% share
Specialised outlets	**78%**
Buying groups (incl. IKEA)	63%
Independent specialists and specialised chains	15%
Non-specialised outlets	**22%**
DIY	3%
Mail order	6%
Department stores	1%
Self-service markets, cash & Carry	1%
Other	5%
Direct sales	4%
Wholesale trade	2%
Total	**100%**

Source: Möbelmarkt (2009)

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.

In the ***non-specialist sector***, KarstadtQuelle and Otto are important players. KarstadtQuelle operates both department stores - http://www.karstadt.de - and mail order operations - http://www.quelle.de. Otto - http://www.otto.de - is a leading mail order company. The DIY channel is also important for furniture. Obi (331 outlets), Praktiker (242 outlets) and Toom (369 outlets) are the leading players. Discount chains, for both furniture and general stores, which also sell furniture, have been very successful in recent years.

More information on the structure of distribution channels in Germany can be found at the the trade association for the furniture industry - http://www.wohninformation.de - and at the site of the Federation of Wood and Plastics Industries - http://www.hdh-ev.de.

Price structure

Due to pressure from low cost imports, margins throughout the furniture supply chain have been under pressure. This has led to intensified competition between furniture retailers. Many wholesalers have ceased to trade as well as retailers.

In each trade channel different margins and prices apply, with a total mark-up (including VAT) of 2.6 up to 3.5 of the Cost Including Freight (CIF) price, depending on which channel the furniture items are sold through. The margin figures quoted in Table 2.2 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 2.2 Overview of margins in domestic furniture

	Low	High
Importers/wholesalers' margins	20%	35%
Agents' margins	10%	15%
Retailers' margins	80%	100%
Multiples CIF price - Consumer price	**2.6**	**3.5**

VAT in Germany is 19% and is added to the retail sale of furniture. Generally speaking, higher margins are applied in specialist independent retailers and lower margins will be found in large retailers, particularly non-specialist retailers. You may find that some retailers that deal exclusively via the Internet may operate with lower margins, as they do not carry the same overheads as traditional retailers.

More information can be found in Chapter 3.2 of the CBI market survey 'The domestic furniture market in the EU'. An example of a calculation of a final consumer price, including import duties is given in Table 3.2.

Finding a suitable trading partner
There are a number of ways to look for a suitable trading partner in Germany. The first place to look would be to contact the main trade association(s), followed by trade fairs, which tend to feature a list of exhibitors, many of which may be potential partners. In addition to these sources, there are often a number of general or specific information portals that will be useful. The following organisations may be worth looking at:

- There are several associations for domestic furniture and some of their members could be interested in establishing contact with exporters from developing countries. Addresses and websites of these associations can be found in Chapter 6.
- German contacts can also be found at trade magazines for the furniture industry, which are mentioned in Chapter 6.
- Furniture agents - http://cdh24.de/verband/fachverbaende/wohnambiente.
- IWOFURN – http://www.iwofurn.com – is a business to business portal for the furniture trade in Europe, based in Germany.
- The Association of German Chambers of Industry and Commerce - http://www.diht.de - may be worth contacting.
- The EHI Retail Institute – http://www.ehi.org.

3 Trade: imports and exports

Imports

Total imports
In 2008, Germany imported domestic furniture valued at € 6.7 billion, or 2.1 million tonnes. This accounted for 21% of all EU imports by value, or 19% by volume. This represented an average annual decrease in value of 0.4% since 2004 from € 6.8 billion (2% in volume from 2.3 million tonnes). Germany was the largest importer of domestic furniture by value and volume. Its imports were close to those of France and the UK.

This decrease in imports contrasted with a 4.1% increase in exports (3.8% increase in volume). Import values were 15% higher than export values and 40% more than export volumes. Production values in Germany have been increasing, and re-exporting is not a major factor. At the same time, the consumer market has been showing an annual decrease over the period.

Around 22% of German imports by value (€ 1.5 billion) came from developing countries and 23% (488 thousand tonnes) by volume. Poland was the largest supplier (22% of total value imports and 26% of total volume imports), with supplies valued at € 1.5 billion or 552 thousand tonnes. The next largest supplier was China (9.8% of total value imports and 14% of total volume imports), with supplies valued at € 660 million or 289 thousand tonnes. The next two largest suppliers to Germany were Italy and the Czech Republic. Italy had supplies valued at € 634 million or 210 thousand tonnes (9.4% of value and 9.9% of volume). The Czech Republic had supplies valued at € 510 million or 78 thousand tonnes (7.6% of value and 3.7% of volume).

The share of supplies by developing countries was up from 17% in value (€ 1.2 billion) in 2004, and also up from 17% in volume terms (from 402 thousand tonnes). Supplies from China, the leading developing country supplier increased by an annual average of 15% (8% by volume) over the period from € 383 million (216 thousand tonnes), while South Africa's supplies decreased by 9% per annum by value and 7% by volume. Supplies from Austria and

Denmark were both down. Meanwhile, supplies from Switzerland increased, while supplies from Vietnam and Turkey increased and supplies from Indonesia decreased.

Imports by product group

The five selected product groups are shown in this table in detail. Import values of other product groups are mentioned in the text for completeness.

Table 3.1 Imports by and leading suppliers to Germany 2004 - 2008, share in % of value

Product	2004 € mln	2006 € mln	2008 € mln	Leading suppliers in 2008 Share in %	Share (%)
Total domestic furniture	4,002	5,130	4,875	Intra EU: Poland (21.9%), Italy (9.4%), Czech Rep (7.6%), Austria (5.1%), Denmark (4.1%)	72.7
	1,621	460	354	Extra EU ex. DC*: Switzerland (3.0%), Norway (0.7%), Russia (0.6%), Taiwan (0.5%), USA (0.2%)	5.3
	1,179	1,176	1,478	DC*: China (9.8%), S Africa (3.1%), Turkey (2.5%), Vietnam (1.9%), Indonesia (1.3%), Bosnia Herzegovina (0.5%), Uruguay (0.4%), Malaysia (0.4%), India (0.4%), Brazil (0.3%)	22.0
Furniture parts	1,642	2,498	2,566	Intra EU: Poland (17.5%), Czech Rep (13.6%), Italy (10.5%), Slovenia (8.5%), Austria (7.6%),	78.6
	655	194	161	Extra EU ex. DC*: Switzerland (3.0%), Taiwan (0.8%), Russia (0.7%), USA (0.2%), Japan (0.1%)	5.0
	480	450	534	DC*: S Africa (6.3%), Turkey (4.0%), China (3.8%), Uruguay (0.9%), Croatia (0.4%), Bosnia Herzegovina (0.2%), Serbia (0.1%), Vietnam (0.1%), Indonesia (0.1%), Brazil (0.1%)	16.4
Upholstered seating	670	980	850	Intra EU: Poland (39.0%), Italy (6.5%), Slovakia (5.5%), Hungary (5.4%), Denmark (4.1%)	72.5
	351	80	89	Extra EU ex. DC*: Norway (3.7%), Switzerland (3.4%), Taiwan (0.1%), USA (0.1%), Russia (0.1%)	7.5
	117	158	234	DC*: China (13.8%), Turkey (1.7%), Bosnia Herzegovina (1.3%), Malaysia (0.9%), Ukraine (0.6%), Vietnam (0.4%), Belarus (0.3%), Indonesia (0.3%), Croatia (0.2%), Serbia (0.2%)	20.0
Non-upholstered seating	253	322	309	Intra EU: Poland (15.8%), The Netherlands (7.3%), Denmark (5.8%), Italy (4.6%), France (3.1%)	46.5
	113	43	21	Extra EU ex. DC*: Japan (0.7%), USA (0.6%), Taiwan (0.6%), Switzerland (0.5%), Russia (0.3%)	3.1
	198	243	335	DC*: China (30.7%), Vietnam (10.0%), Indonesia (5.0%), Malaysia (1.0%), Philippines (0.8%), Thailand (0.6%), Turkey (0.6%), India (0.6%), Bosnia Herzegovina (0.2%), Ukraine (0.2%)	50.4
Dining/living room furniture	512	557	443	Intra EU: Poland (27.3%), Italy (11.2%), Denmark (9.8%), The Netherlands (4.7%), Slovakia (3.0%)	74.6
	167	55	18	Extra EU ex. DC*: Switzerland (2.1%), Russia (0.5%), USA (0.2%), Norway (0.1%), Taiwan (0.1%)	3.1

Product	2004 € mln	2006 € mln	2008 € mln	Leading suppliers in 2008 Share in %	Share (%)
	77	109	132	DC*: China (10.4%), India (2.8%), Brazil (1.7%), Vietnam (1.2%), Indonesia (1.2%), Bosnia Herzegovina (1.0%), Malaysia (0.8%), Ukraine (0.8%), Croatia (0.6%), Turkey (0.5%)	22.3
Rattan furniture	25	25	21	Intra EU: Poland (8.1%), The Netherlands (6.7%), Denmark (2.8%), Italy (2.6%), Austria (1.9%)	26.4
	9	7	5	Extra EU ex. DC*: Switzerland (4.7%), Taiwan (1.4%), USA (0.2%), Canada (0.1%), Israel	6.7
	62	66	53	DC*: Indonesia (29.1%), China (22.3%), Vietnam (13.4%), Philippines (0.6%), Thailand (0.5%), Bosnia Herzegovina (0.4%), India (0.2%), Malaysia (0.1%), Myanmar (0.1%), Turkey (0.1%)	66.9

Source: Eurostat (2009)
*Developing Countries

Furniture parts
This was the largest of the selected product groups. Valued at almost € 3.3 billion in 2008 (685 thousand tonnes), this represented 49% of all domestic furniture imports to Germany (32% by volume). This compared with a share of 41% in 2004 (25% by volume or 568 thousand tonnes). Hence, this product group was increasing in significance in its contribution to imports. Intra-EU trade represented almost 80% of the value of supply (81% by volume), and this has increased significantly from 59% in value and from 63% in volume in 2004. This can be explained by significant recent increases in imports of parts from some East-European Member States. The Polish and Italian shares of supplies increased, while the Slovenian and Austrian shares of supplies decreased. The Czech share was broadly unchanged.

Developing country suppliers represented over 16% of all imports by value (12% by volume or 79 thousand tonnes), marginally down from 17% (€ 480 million) in 2004, but up from 8.3% by volume or 47 thousand tonnes. South Africa (€ 207 million or 4 thousand tonnes) was the leading developing country supplier of furniture parts. South Africa's share was significantly down compared with 2004. Of the other leading developing country suppliers, values from China, Turkey and Uruguay all increased.

In terms of product groups, other parts of seats represented 71% of the product group (€ 2.3 billion or 240 thousand tonnes, down from 75% in 2004), while wooden parts of furniture were 14% (€ 453 million or 271 thousand tonnes), metal parts of furniture 9.8% (€ 320 million or 112 thousand tonnes), other parts of furniture were 3.9% and wooden parts of seats 1.2%.

Upholstered seating
This was the second largest product group. Valued at almost € 1.2 billion in 2008 (328 thousand tonnes), this represented 17% of all domestic furniture imports to Germany (15% by volume). This compared with a share of almost 17% in 2004 (15% by volume or 347 thousand tonnes). Hence, this product group was unchanged in significance in its contribution to imports. Intra-EU trade accounted for almost over 70% of the value supply (71% by volume), and this increased significantly from 59% in value and from 52% in volume in 2004. The Polish, Italian and Danish shares of imports decreased compared with 2004, while the Hungarian and Slovak shares of supplies increased.

Developing country suppliers represented 20% of all imports by value (27% by volume or 88 thousand tonnes), up from 10% (€ 117 million) in 2004, and up from 13% by volume or 46 thousand tonnes. China (€ 162 million or 63 thousand tonnes) was the leading developing country supplier of upholstered seating. However, whereas the value of China's supplies increased by an annual average of 29% over the period, values from Turkey decreased by 2.1%, values from Bosnia-Herzegovina increased by 29%, and values from Malaysia increased by 12%.

In terms of product groups, upholstered seats with wooden frames at € 958 million (269 thousand tonnes) represented 82% of the value of all upholstered seating (down from 89% in 2004); upholstered seats with metal frames accounted for the remaining € 214 million value in 2008 (59 thousand tonnes).

Non-upholstered seating
This was the next largest of the selected product groups. Valued at € 665 million in 2008 (237 thousand tonnes), this represented 10% of all domestic furniture imports to Germany (11% by volume). This compared with a share of 8.3% in 2004 (10% by volume or 230 thousand tonnes). Hence, this product group was increasing in significance in its contribution to imports. Intra-EU trade represented over 45% of the value supply (46% by volume), and this increased from 45% in value and 35% in volume in 2004. Poland, Denmark, Italy and France decreased their shares of supplies, while the Dutch share increased.

Developing country suppliers represented half of all imports by value (53% by volume or 126 thousand tonnes), up from 35% (€ 198 million) in value, and from 40% by volume or 92 thousand tonnes in 2004. China (€ 204 million or 77 thousand tonnes) dominated the developing country supply of non-upholstered seating. China's supplies increased by an annual average of 21% compared with 2004. Of the other developing country suppliers, supplies from Vietnam increased significantly, but supplies from Indonesia and Thailand decreased. Malaysian, Philippine and Indian supplies also increased.

In terms of product groups, seats with metal frames accounted for 41% of the group (€ 270 million or 91 thousand tonnes); wooden seats were valued at € 169 million (66 thousand tonnes); seats convertible into beds were valued at € 136 million (58 thousand tonnes) and other seats were € 90 million (22 thousand tonnes). There was a major move towards metal seats, particularly away from wooden seats and other seats. The share of seats convertible into beds also decreased slightly.

Dining/living room furniture
Dining/living room furniture was valued at € 593 million in 2008 (289 thousand tonnes). This represented 8.8% of all domestic furniture imports to Germany (14% by volume). This compared with a share of 11% in 2004 (16% by volume or 359 thousand tonnes). Hence, this product group was decreasing in significance in its contribution to imports. Intra-EU trade represented three quarters of the value and 73% of the volume supply, and this increased from 68% in value and 62% in volume in 2004. The Italian, Danish and Romanian shares of supplies decreased, while the Polish and Dutch shares of supplies increased.

Developing country suppliers represented 22% of all imports by value (25% by volume or 73 thousand tonnes), up from 10% (€ 77 million) in value and 12% by volume or 44 thousand tonnes in 2004. China (€ 62 million or 37 thousand tonnes) was the leading developing country supplier of dining/living room furniture, up by an annual average of 24% compared with 2004. Supplies from the other leading developing country suppliers increased, with the exception of Indonesia, which decreased.

Rattan furniture
Rattan furniture was valued at € 79 million in 2008 (31 thousand tonnes). This represented 1.2% of all domestic furniture imports to Germany (1.5% by volume). This compared with a share of 1.4% in 2004 (1.6% by volume or 36 thousand tonnes). Hence, this product group was decreasing in significance in its contribution to imports. Intra-EU trade represented one quater of the value and volume supply. The intra-EU share decreased from 26% in value but increased from 21% in volume in 2004. The size of Dutch supplies suggests that a reasonable proportion of this trade consisted of re-exports from other (probably DC) countries. The share

of supplies from the leading intra-EU suppliers decreased, with the exception of Poland and Austria, which increased.

Developing country suppliers represented two thirds of all imports by value (69% by volume or 22 thousand tonnes), up from 64% (€ 62 million) in value and up from 68% by volume or 25 thousand tonnes in 2004. Indonesia (€ 23 million or 8 thousand tonnes) was the leading developing country supplier of rattan furniture, followed by China. Indonesia's share was down from 38% in 2004. China and Vietnam increased their shares at the expense of Indonesia and Philippines.

Rattan furniture represented 58% of this product group (€ 46 million or 21 thousand tonnes), a share which has increased since 2004. Rattan seats represented a diminishing share, accounting for € 33 million or 10 thousand tonnes in 2008.

Other product groups
The value of other product groups not selected were as follows: other furniture* (€ 573 million or 343 thousand tonnes), bedroom furniture (€ 284 million or 156 thousand tonnes) and kitchen furniture (€ 78 million or 51 thousand tonnes).

* excludes the value of other metal and plastic furniture. Note that other wooden furniture increased by an annual average of 4.9% from € 473 million (6.6% by volume from 266 thousand tonnes) compared with 2004. 72% of value (76% of volume) was intra-EU and 23% of value (20% of volume) was from developing countries. China (€ 60 million and 35 thousand tonnes), Vietnam (€ 35 million or 17 thousand tonnes) and Indonesia (€ 13 million or 5 thousand tonnes) were the leading DC suppliers. Poland (€ 118 million or 76 thousand tonnes), Italy (€ 82 million or 38 thousand tonnes) and Denmark (€ 57 million or 38 thousand tonnes) were the leading intra-EU suppliers.

Exports
In 2008, Germany exported domestic furniture valued at € 5.8 billion, or 1.5 million tonnes. This represented an increase in value of 4.1%, and an average annual increase of 3.8% in volume since 2004.

In 2008, Germany was the second largest exporter by value, after Italy, but the third largest by volume, also after Poland, which was the leading volume exporter. It was well behind Italy in value, but Poland was closing. It was close to Italy in volume. 75% of German exports by value were intra-EU (82% by volume), the majority of which went to the Netherlands, France, Austria and Switzerland.

In terms of product groups, furniture parts accounted for 38% by value (€ 2.2 billion or 469 thousand tonnes), down from 33% in 2004. The main destinations were France, the UK, the Czech Republic, Slovakia, the Netherlands and Poland. The next largest group of exports was kitchen furniture, which accounted for 24% of all exports (€ 1.4 billion or 344 thousand tonnes), up from 17% in 2004. The Netherlands and France were the main destinations.

Upholstered seating represented 10% of all exports (€ 581 million). This was down from 11% in 2004. Switzerland, the Netherlands and Austria were the main destinations. Bedroom furniture was the next largest product group of exports at 8.8% (€ 512 million).

The remaining groups of exports were as follows: other furniture (€ 427 million), dining/living room furniture (€ 370 million), non-upholstered seating (€ 256 million) then rattan furniture (€ 52 million).

Opportunities and threats
+ Germany is an interesting market for exporters from developing countries. Local production has been adapting to the global economy. Germany is a big market, and as such will always

offer opportunities despite a difficult trading environment. Imports are an increasingly important part of the market, despite the fact that they decreased between 2007 and 2008.

+ The fact that the value share of imports from developing countries is up over the period while the volume share is up by slightly more indicates some downward pressure on prices. This indicates that more opportunities may be found in the mid-lower market segments.
+ There are wide differences in the performance of the various product groups. Most opportunities will be found with furniture parts, particularly for volume growth, and upholstered seating, which are the two largest product groups. Opportunities will also be found with non-upholstered seating, although growth rates have been less impressive.
- The poorest performing product group has been rattan furniture, although it is also the smallest group. Dining/living room furniture has actually decreased in significance over the period, although the DC share has increased.

It is also important to note that an opportunity for one developing country can also be a threat to another. Many EU countries switch country sources purely for competitive advantage, rather than moving supplier because of changes in demand for other reasons. Exporters should read carefully the trends and developments outlined in other parts of this survey before establishing whether Germany offers a genuine export opportunity.

See also Chapter 7 of the CBI market survey 'The domestic furniture market in the EU' for a more general analysis.

Useful sources

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

4 Price developments

Consumer prices

Furniture prices in Germany were below the EU average. In terms of purchasing power, the price index in Germany was similar to that in the Netherlands and Austria.

According to Eurostat, furniture retail prices increased by 4.3% between 2004 and 2008, but by 2.1% 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 Germany, which was 8.9% higher in 2008 than in 2004. Hence furniture price increases in Germany were below the EU average and below the all-price index in Germany.

Consumer prices of various furniture items vary widely, depending on the market segment or type of retailer. The following Table 4.1 highlights the price differences between similar types of products. It can be seen that for double beds and side tables, prices are competitive and quite comparable between many retailers. In a price comparison of the same IKEA products in 18 EU countries, Germany was ranked joint second least expensive, alongside the Netherlands. See Chapter 5 of the CBI survey 'The domestic furniture market in the EU' for more details.

Table 4.1 Comparative retail prices of furniture in Germany, July 2009

Retailer	Double bed	Side table
Roller	Hubertus € 229.95	Mailand € 99.95
IKEA	Aspelund € 115	Stockholm € 199
Plus	Futonbett € 249.95	Rodeo € 99.95
Danish Bed Store	Jakob € 199	Royal Oak € 349

Source: Retailer websites

The website of German National Statistics - http://www.destatis.de - publishes information on furniture prices. For example, in 2008 the price of a stool increased by 4.2%; the price of a kitchen cupboard increased by 6.2%; the price of a wardrobe increased by 2.5%; the price of a bed increased by 1.8%; a sofabed increased by 3%; a dining room table increased by 2.3%; a living room cupboard increased by 3.1%; a desk or computer table increased by 1.6%.

The German National Bank - http://www.bundesbank.de - also provides some pricing information. More details on the consumer prices provided above can be found at the retailer websites of Roller - http://www.roller.de, IKEA - http://www.ikea.com/de, Plus - http://www.plus.de - and the Danish Bed Store - http://www.daenischesbettenlager.de.

Import prices

Although the industry does not make price agreements based on tonnage, it is useful to see how import prices compare. As Table 4.2 highlights, import prices have been slowly increasing since 2004. The differential between developing country import prices intra-EU prices was quite narrow. Import prices to Germany were above the EU average. Please note these trends should be interpreted with care, as changes in imports do not always reflect changes in demand.

Table 4.2 Development in German 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	2.96	3.09	3.16	1.6
Intra-EU	3.12	3.14	3.16	0.3
Developing countries	2.93	3.03	3.03	0.8

Source: Eurostat (2009)

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. 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 domestic furniture and Germany in the category search, click on the search button and click on market access requirements.

Quality requirements

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 manufacturers. 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 Deutsches Institut für Normung - http://www.din.de - 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.eu/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 society for materials science DGM – http://www.dgm.de - 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.

The new EU regulation on chemical substances, called REACH, has been in force since 2007. For more information on REACH, see the document on the CBI website at http://www.cbi.eu/marketinfo.

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

The most important ways to develop a business relationship are to either exhibit at one of the main furniture trade fairs, or to make a direct approach to wholesalers or major retailers. In Germany, business people prefer a more formal form of communication, both in the way a presentation is put together, and in the way contact is made.

Germans are very interested in price, but it is also important to appreciate from the outset the importance of retaining your customers. Many buyers are not always loyal and it is much easier to lose a customer than to find a new one. It is also extremely important that you have a ***professionally produced website***, so that potential partners are able to independently see for themselves the type of organisation that you represent. They may well make an evaluation of you on this basis. Your website may also enable you to contact consumers directly. See also the CBI publication ‘Website promotion - How to promote your website in the EU’. http://www.cbi.eu/marketinfo/cbi/docs/website_promotion_how_to_promote_your_website_in_the_eu?via=pub

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.

Trade magazines

Advertising in trade magazines can sometimes be an effective means of reaching a small target group. The main trade publications for the furniture industry are:

- Möbelmarkt - http://www.moebelmarkt.de.
- Möbel Kultur – http://www.moebelkultur.de.
- Möbel Fertigung – http://www.moebelfertigung.com.
- Holzmann - http://www.holzmann.de - publishes the above publications. It also publishes furniture market reports.
- Home Furniture Exporters - http://www.ritthammer-verlag.de - the magazine for German Furniture Exporters. This publication, as well as Möbelmarkt, is published by Verlag Matthias Ritthammer, one of the leading specialist international furniture publishers.
- Euwid Möbel - http://www.euwid-moebel.de - is a weekly news-sheet reporting on the international markets in furniture trading.

Trade Fairs

- The International Furniture Fair - http://www.imm-cologne.de - is the main furniture fair in Germany. It takes place each January in Cologne.
- Möbel-Meile – http://www.moebel-meile.com - takes place each May near Rietburg.
- M.O.W. – http://www.mow.de - now also takes place in May.
- Some of the big consumer goods fairs in Frankfurt - http://www.messefrankfurt.com - such as Ambiente, Decorate Life and Tendence include some furniture items.
- Blickfang – http://www.blickfang.com - is the design fair for furniture, fashion and jewellery, which takes place in Stuttgart each March.

Trade associations

- The Association of Wood and Furniture Industries - http://www.hdh-ev.de.
- The Furniture Industry Association - http://www.wohninformation.de.
- The Association of Furniture Retailers - http://www.moebelhandel.org or http://www.bwb-online.de/bwb/.
- The Association of the German Sofa Industries - http://www.vhk-herford.de/.
- GTZ - http://www.gtz.de - is an international cooperation organisation that works with developing countries.

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