CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN FINLAND

Publication date: October 2009

Introduction

This CBI market survey gives information on some main developments in the domestic furniture market in Finland. The information is complementary to the information provided in the CBI market survey 'The domestic furniture market in the EU', which covers the EU in general. That survey also contains an overview and explanation of the selected products dealt with, some general remarks on the statistics used, as well as information on other available documents for this sector. It can be downloaded from http://www.cbi.eu/marketinfo.

1 Market description: consumption and production

Consumption

The Finnish market for domestic furniture was valued at € 1.4 billion in terms of retail sales in 2008. In the same year, Finns spent € 262 per capita, which was the third highest in the EU compared to the average of € 161. Finland was the twelfth largest furniture market in the EU and had a similar market value to a cluster of other countries, including Portugal, Greece, Poland and Denmark.

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

2004	2005	2006	2007	2008	Average ann. % change	Population (million)	per capita in €	Occupants per household	Households (thousand)
1,083	1,163	1,244	1,336	1,389	6.4	5.3	262	2.1	2,452

Source: Forma Messut, Euromonitor (2009)

Growth rates have been strong over the review period. The annual average increase of 6.4% was significantly above the EU average of 1.1%. The market also managed to move forward in 2008 when many other markets started to contract. The boom in interior decoration is continuing and has been underpinned by substantial housing construction and sales. In a survey carried out by the Finnish Furniture Retailers Association in May 2009, 36% of consumers said they intended to purchase home decoration products in the next six months.

Trends in consumption

Finns spend a large part of their time indoors as a result of the cold climate. Consequently home decoration and furnishings are extremely important to them. Each time they make a purchase, they research a product's functionality, its originality and its simplicity. Furniture with strict modern lines and sober colours are most popular. Natural wood in particular is popular throughout Scandinavia, but bright colours such as red and orange are increasingly purchased.

Although there is a significant domestic industry, imports play a very important part in the market. Consumers are knowledgeable and appreciate a wide range of design styles from which to make their choice.

Different age groups have different demands. The young generation is 'technology-centred'. They want to make a difference to the world. Hence products that demonstrate environmental sustainability or fair trade are popular with this group. The 30-42 year age group are 'sceptical individualists' that appreciate practical furniture. They also value high quality and design. Many have a family, so they buy child-friendly furniture and materials that are durable. The baby boom generation (born between 1945 and 1954) appreciate comfort and well-being, and want furniture that creates a relaxing environment. The main purchases are quality replacement furniture, and they are increasingly interested in fashionable furniture.

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 24%; dining and living room furniture 22%; bedroom furniture 17% and other furniture 8%.

Market outlook
This market has not been affected by the global economic slowdown in the way that many other EU markets have suffered. Finland may be one of the few furniture markets that register a small increase in 2009. It is likely that Finland will be one of the first economies to emerge from the global economic downturn. Confidence is already returning in 2009 and stronger market growth is likely to resume in 2010.

Production
Forest industries are one of Finland's greatest assets. Finland has a good international reputation for furniture production based on technologically advanced, innovative designs. Protecting forests and concern for the environment are also integral parts of the characteristic of the furniture industry. The industry is mainly concentrated in the western part of Finland and in the area of Oulu.

Finland is a medium-sized EU furniture producer. In 2008, its production was valued at € 1 billion, part of which was exported other Scandinavian countries, Russia and Estonia. The Finnish furniture industry was similar in size to a cluster of other countries including Portugal and the Czech Republic. Employment in the industry has been gradually decreasing as technological developments make this possible. Production has been increasing since 2005, mainly due to more production of kitchen furniture and dining and living room furniture.

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

2004	2005	2006	2007	2008	Average ann. % change	Number of companies 2006	Number of employees 2006
876	875	889	952	1,009	3.6	1,342	6,935

Source: National Statistics, Eurostat (2009)

A furniture panel exists to focus on the environmental load of furniture and to encourage sustainable development in the furniture industry. Promoting the market performance of good-quality, durable and environmentally sound furniture, and promoting the maintenance, care, reuse and recycling of furniture are the principle aims. In addition, the focus is on providing more consumer information with respect to furniture care, maintenance and recycling.

According to Eurostat, the value of Finnish production was sub-divided in 2008 into kitchen furniture 56%; dining and living room furniture 13%; furniture parts 12%, other furniture 9%; bedroom furniture 7% and non-upholstered 3%. Eurostat does not record details of upholstered furniture production, but this represented 17% of production in 2005.

Some interesting manufacturers include:

- Isku - http://www.isku.fi - is one of the leading furniture manufacturers in Europe and is also represented in Russia and the Baltic States.
- Avarte - http://www.avarte.fi - is renowned for producing well-designed chairs and seats, made for long term use.
- Domus – http://www.domus.fi - is one of the country's leading kitchen and bathroom manufacturers.

- Insofa - http://www.insofa.fi - located in Lahti, is a designer and producer of living room furniture such as sofas and armchairs. It manufactures modern and classic furniture and employs 75 people.
- Other manufacturers can be found at the Association of Finnish Furniture and Joinery Industries - http://www.puusepanteollisuus.fi.

Trends in production
The key trends that are driving the industry are attention to design, to quality and environmental sustainability. Further growth opportunities in the domestic market are relatively limited, so the Finnish industry is concentrating on developing and producing high quality, interesting and original products for export.

Opportunities and threats
+ Finnish consumers are very interested in interior design and the furnishing of their homes. This will provide opportunities to those exporters who can provide interesting products that also meet the high standards on quality and design required on the market.
+ Opportunities can be also found if exporters are able to provide evidence of high standards of environmental awareness and fair working practices.
+ Many Finnish producers are looking for possible outsourcing partners as a means of bringing their production costs down.

Many exporters will also be viewing the opportunities available on the Finnish market, particularly exporters from Russia and the Baltic States. 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

Finland is a large country with a relatively small population. The size of the country has affected how the furniture supply chain operates. The retail channel has become increasingly concentrated with a number of company acquisitions.

Nevertheless, there are still a number of independent retailers that purchase furniture through wholesalers, importers and agents. It is this channel that will offer the best prospects for exporters from developing countries. The Finnish Foreign Trade Agents Federation features some relevant agents - http://www.agenttiliitto.fi/?2.

Interesting wholesalers and importers include:
- Bella Luna - http://www.bellaluna.fi - supplies its furniture to many dealers around Finland and provides a wide range of styles.
- Stemma - http://www.stemma.fi - buys on behalf of 45 furniture retailers, who all trade under this brand name.
- Inno - http://www.innointerior.fi - located in Espoo, is an importer of designer furniture since 1975, supplying tables, benches, chairs and bathroom furniture.
- Relax - http://www.relax.fi - located in Salo, imports and wholesales different styles of furniture, including contemporary, practical and designer furniture. This company was established in 1964.

Retail trade
According to market research specialist Mintel, there were 700 furniture retail outlets in Finland in 2006, up by 10% since 2002. Large retailers dominate sales, and the decreasing number of small retailers now holds quite a small market share. Some manufacturers also act as retailers.

The leading retail group is the Kesko-owned Indoor Group - http://www.indoorgroup.fi, which is the parent company of Asko (32 outlets) and Sotka (53 outlets), with a combined share of 18%. Masku - http://www.masku.com - holds a 10% share and has 56 outlets, while IKEA – http://www.ikea.com/fi - has 3 outlets and holds a share of over 8%. Other important players include Vepsäläinen - http://www.vepsalainen.com - with 27 outlets, and Isku, which is also a leading manufacturer, with 31 outlets. Stemma, Suomi-Soffa and Jysk are also important retail chains.

In the non-specialist sector the Kesko Corporation - http://www.kesko.fi - is the main player. It owns the department store group Anttila, the hypermarket K-citymarket and the DIY chain K-rauta amongst others. Stockmann - http://www.stockmann.fi - is the other main department store chain. Mail order is a growing channel, driven in part by the extensive use of the Internet in Finland. Leading Internet/mail order retailers are http://www.netanttila.fi and http://www.hobbyhall.fi.

Price structure

Margins are not discussed openly in Finland, 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 80–100% of the wholesale price, depending on which market segment is being targeted. 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	80%	100%
Mark-up CIF price - Consumer price	**2.6**	**3.5**

The VAT rate in Finland is 22%. 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 can be found at the Furniture Retailers Association - http://www.suomenhuonekalukaupanliitto.fi. More general information on doing business in Finland can be found at Finpro - http://www.finpro.fi, the Chamber of Commerce - http://www.keskuskauppakamari.fi, and the Federation of Commerce – http://www.suomenkauppa.fi.

3 Trade: imports and exports

Imports

In 2008, Finland's imports of domestic furniture were valued at € 373 million, or 120 thousand tonnes. Out of the 27 EU countries, Finland was ranked eleventh smallest in value and twelfth in volume, and as such was regarded as a small-sized country for domestic furniture imports. This was close to Romania, Hungary and Ireland in value, and similar in volume to Hungary, Slovakia and Ireland.

Between 2004 and 2008, Finnish imports increased by an average of 9.3% per annum in value (from € 262 million) and 6.3% in volume (from 94 thousand tonnes). Import growth was particularly strong since 2006. Sweden and Estonia were the dominant sources of intra-EU imports, followed by China.

Imports were more than double the value of exports, and imports exceeded exports by 2.5 times in volume in 2008. Imports were increasing while exports were decreasing. The same period has seen a small increase in domestic furniture production, and an above average annual increase in consumption. Imports accounted for an increasing proportion of consumer purchases.

By source, around 20% of Finnish imports, valued at € 75 million or 33 thousand tonnes, came from developing countries in 2008 (27% by volume). This proportion was 15% in 2004 (22% by volume). China accounted for 48% of all developing country supplies by value in 2008, followed by Vietnam (20%) and Malaysia (14%). Indonesia and India were also important suppliers. While China's supplies increased by an annual average of 32% over the period, supplies from Vietnam increased by 13%. Supplies from Malaysia and Indonesia increased by smaller proportions.

By product group, Finnish imports by value were sub-divided as follows:
- The leading two groups were furniture parts with 26% of value and 25% of volume (€ 98 million or 30 thousand tonnes) and upholstered seating with 20% of value and 13% of volume (€ 73 million or 16 thousand tonnes).
- Other furniture represented 16% of value and 21% of volume (€ 61 million or 25 thousand tonnes) and dining/living room furniture represented 15% of value 16% of volume (€ 55 million or 19 thousand tonnes).
- The remainder was taken up as follows: non-upholstered seating (€ 50 million), bedroom furniture (€ 19 million), kitchen furniture (€ 13 million) and rattan furniture (€ 5 million).

Exports
Domestic furniture exports from Finland were valued at € 180 million in 2008, representing 51 thousand tonnes. Bedroom and dining/living room furniture were the largest groups of exports. Between 2004 and 2008, the average annual decrease in exports was 5.9% by value and 8.3% by volume. Re-exporting does not appear to be a major feature of the Finnish market. Sweden and Russia were the leading export destinations.

Opportunities and threats
+ The main growth opportunities for developing country suppliers are in upholstered seating and furniture parts.
+ Other notable opportunities are in items for dining/living room furniture, as well as non-upholstered seating.
- On the other hand, there have been falls in supplies of rattan furniture, and imports of kitchen and bedroom furniture have increased below the average rate of import growth over the period, indicating fewer opportunities. Imports of other furniture have increased, although detailed figures are not available.

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 Finland were above the EU average. In terms of purchasing power, prices in Finland were similar to prices in Greece and Spain. Finland has a reputation of being one of the most expensive EU countries, but furniture prices do not always reflect this reputation.

According to Eurostat, furniture retail prices increased by 6.6% between 2004 and 2008, but by 2.5% 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 Finland, which was 7.7% higher in 2008 than in 2004. Hence furniture price increases in Finalnd were close to the EU average but below the all-price index in Finland.

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. Import prices to Finland were above the EU average, but developing country import prices were well below intra-EU import prices. 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 Finnish 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	2.77	2.84	3.10	2.9
Intra-EU	3.10	3.02	3.37	2.1
Developing countries	1.89	2.21	2.30	5.0

Source: Eurostat (2009)

The website of Finnish National Statistics - http://www.stat.fi - publishes harmonised indices of consumer prices. Consumer prices can be found at IKEA - http://www.ikea.com/fi, leading retailer Asko - http://www.asko.fi - and Isku - http://www.isku.fi. In a price comparison of the same IKEA products in 18 EU countries, Finland ranked the third most expensive. See Chapter 5 of the CBI survey 'The domestic furniture market in the EU' for more details.

5 Market access requirements

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

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 Finland, visit the following websites:
- The Finnish Furniture and Joinery Industries - http://www.puusepanteollisuus.fi.

- The Finnish Furniture Retailers' Association - http://www.suomenhuonekalukaupanliitto.fi or http://www.formamessut.fi.
- Another useful contact is http://www.forestindustries.fi.
- Habitare - http://www.finnexpo.fi - takes place every two years in September. Forma – http://www.formamessut.fi - takes place each January.
- The main trade publication is Forma & Furniture, published six times a year by the Furniture Retailers' Association (see above for contact details).
- More general information on doing business in Finland can be found at the Confederation of Finnish Industries – http://www.ek.fi.

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