CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN AUSTRIA

Publication date: October 2009

Introduction

This CBI market survey gives information on some main developments in the domestic furniture market in Austria. 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 Austrian market for domestic furniture was valued at € 2.5 billion in 2008 in terms of retail sales. In the same year, Austrians spent € 301 per capita, which was the highest in the EU. This compared to the EU average of € 161. Austria was the seventh largest furniture market in the EU and had a similar market value to a cluster of other countries, including Sweden and Belgium.

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

2004	2005	2006	2007	2008	Average ann. % change	Population (million)	per capita in €	Occupants per household	Households (thousand)
2,308	2,375	2,439	2,487	2,502	2.0	8.3	301	2.5	3,410

Source: KMU Forschung, Federcasa (2009)

The Austrian market has increased by an annual average of 2% since 2004, representing four consecutive years of increase. The increase of 0.6% in 2008 was the lowest in the review period. Market volumes were actually down but the small growth in value was explained by increases in prices. Price increases have been driven by a move to higher quality materials, as well as increases in the cost of materials. All market segments experienced reductions in value, with the exception of kitchen furniture, which continued to increase.

Trends in consumption

Austrians have been spending more time in their homes. This has included an increase in home entertaining, which has affected the furniture market in a number of ways. Firstly, sales of kitchen furniture have benefited from this trend, as consumers demand higher specifications in their kitchens to reflect the importance of eating and entertaining at home.

The other key element is the increase in sales of high specification flat screen TVs. This trend to a home cinema environment is part of an increased desire to feel safe and comfortable at home during times of economic uncertainty. This in turn has resulted in increased demand for furniture related to TV display and storage.

More generally, 2008 was a significant year for Austrian households. Inflation was at its highest for many years. This has had the effect of changing spending habits. Austrians have been very cautious about spending. Although Austrians have been loyal to trusted brands, in 2008 this changed as price became more important than brands for many people. The furniture market was also affected by this development.

In the longer term however, Austrians are becoming more interested in the long term value of the products they purchase. This will mean that quality of design and craftsmanship will ultimately be more important than price. There is a desire for authentic furniture with ethical values, as well as good design that is functional and flexible and takes account of new living concepts. Consumers are becoming more critical and demanding.

According to a telephone survey by research specialist Nielsen in May 2008, 48% of furniture retailers have loyalty cards, the majority of which are used for discounts, special offers and vouchers. This is lower than in other sectors such as food, pharmacies and DIY outlets.

Consumption by product group

A quarter of the market was accounted for by kitchen furniture. Other segments were represented as follows: upholstered furniture 29%; dining/living room furniture 20%; bedroom furniture 16% and other furniture 10%. The greatest falls in 2008 were in cabinet furniture (bookcases, shelving etc) and bathroom furniture.

Market outlook

Market analysts Kreuzer, Fischer & Partners do not expect to see any market recovery in 2009. The market is predicted to fall by 1.1% in 2009. However consumer confidence is beginning to return and the market may experience small growth again in 2010.

Production

Austria was a medium-sized producer of domestic furniture, but this is an important industrial segment for the country. However, 2008 was a very difficult year for the furniture industry and production value fell to approximately € 1.9 billion. It has been particularly affected by sudden falls in the construction industry and general consumer reluctance to purchase furniture. In addition, important export markets have been ordering less Austrian furniture.

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

2004	2005	2006	2007	2008	Average ann. % change	Number of companies 2006	Number of employees 2006
1,858	1,939	2,094	2,130	1,896	0.5	3,398	28,255

Source: Austrian Furniture Industry, Eurostat (2009)

Austria was the tenth largest producer of domestic furniture in the EU, with values close to those of the Netherlands, Denmark, Belgium and Sweden. Of these countries, only Sweden did not experience a significant drop in production during 2008.

According to Statistics Austria, the furniture industry has been one of the industries most heavily affected by the economic downturn. Companies have been cutting down on their stock levels and the industry was operating at approximately 78% capacity. This fall in production has continued into 2009.

Of the various segments, only kitchen furniture has broadly maintained its production value in 2008. The other segments have all declined. The greatest falls have been in the production of dining room and bedroom furniture. In 2008, 56% of production was furniture parts, mainly for seating. 17% of production was other furniture, 15% of production was kitchen furniture, over 5% was bedroom furniture and 3% was dining room furniture. Non-upholstered seating made up the remainder.

Some interesting manufacturers in Austria include:

- Sembella – http://www.sembella.at - is a leading manufacturer of beds and mattresses.
- Joka - http://www.joka.at - is a leading producer of upholstered furniture and sofa beds. It was established in 1921 and also has a number of showrooms around the country.

- Team7 - http://www.team7.at - is an independently owned producer of domestic furniture of all types, with an emphasis on the natural values of wood.
- Ada - http://www.ada.at - is a family company that continues with traditional processes alongside the demands of the international market, employing 700 people.

Trends in production

The Austrian industry continues to focus on high quality and does not compete on low price. It has always been export oriented but the economic downturn has had a negative impact on export markets. Companies have been trying to recapture some domestic market share, but ultimately it is reliant on a return to growth of the global economy to resume sales in the important EU and US markets. New markets, particularly in Russia and other Eastern European countries are promising.

Opportunities and threats

+ Austrian consumers are loyal to their own industry, but the trend to value rather than price will make consumers more receptive to imports, particularly of products in the middle and lower market segments.
+ Opportunities can be found if exporters can meet the demand for authentic and ethical products. An understanding of the importance of the home and the need for well designed products that meet contemporary lifestyles will generate opportunities.
+ The Austrian furniture industry is currently vulnerable due to the global economic slowdown. Some manufacturers may be looking to make partnerships with producers that understand the requirements of Austrian consumers.

Many exporters will also be viewing the opportunities available on the Austrian 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

The distribution of domestic furniture is more concentrated in Austria than in any other EU country. The three leading retail groups control 70% of all sales. Although there are not many independent retailers that are not affiliated in some way to one of the main chains, there are still some wholesalers and importers that supply this market.

Agents are also important in Austria. They can be found via http://www.coesch.at or http://www.commercial-agent.at. Their role is diminishing as the trade becomes more concentrated. Exporters from developing countries would be advised to approach wholesalers and importers to access this market. This channel tends to deal in the lower-middle and low end of the market.

Interesting wholesalers and importers include:

- Ludwig - http://www.moebel-ludwig.at - is a furniture business that has been established since 1975 with four showrooms in the Vienna region.
- SBA Import Export - http://www.sba-gmbh.com - is not a specialist, but handles a range of products including household goods and furniture.
- Proform - http://www.proform.at - handles a range of furniture for both home and office.

Retail trade

According to market research specialist Mintel, there were 2,474 furniture retail businesses in Austria. The three leading retailers are XXXLutz - http://www.xxxlutz.at - the leading Austrian furniture chain with 45 outlets, followed by Kika/Leiner - http://www.kika.at - with 33/17 outlets and IKEA - http://www.ikea.com.at - with 6 outlets. Lutz also included the retailers

Möbelix (45 outlets), Ambiente (3 outlets) and Mömax (8 outlets). According to a study in July 2008 by the online research company Marketagent.com, 29.5% of respondants had visited XXXLutz in the last four weeks, compared to 23.1% for IKEA and 18% for Kika.

Buying groups also operate in the furniture sector. This further reduces the scope for DC exporters to find direct channels to the market. The leading buying group is Garant Möbel - http://www.garant-moebel.at.

Non-specialists including department stores and DIY outlets represent a small share, but the Internet is a growing sales channel.

Price structure

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 2.1 are calculated as a percentage of the price purchased from whom they buy in the chain, not as a percentage of the CIF price.

The high concentration of the Austrian market means margins will be very tight and wholesalers can only manage relatively low margins compared to some other countries. Depending on the type of furniture, margins will vary. Higher margins can be obtained for more specialised items. VAT in Austria is 20%.

Table 2.1 Overview of margins in domestic furniture

	Low	**High**
Importers/wholesalers' margins	20%	30%
Agents' margins	10%	15%
Retailers' margins	80%	120%
Mark-up CIF price - Consumer price	**2.6**	**3.5**

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 Austrian Furniture Industry - http://www.moebel.at - or the Austrian Economic Trade Chamber - http://www.wko.at/einrichtungsfachhandel.

3 Trade: imports and exports

Imports

In 2008, Austria’s imports of domestic furniture were valued at € 1.4 billion, or 396 thousand tonnes. Out of the 27 EU countries, Austria was ranked eighth largest in value and ninth largest in volume, and as such was regarded as a medium-sized country for domestic furniture imports. This was similar in value to Italy and Sweden, and similar in volume to Poland and the Czech Republic.

Between 2004 and 2008, Austrian imports fell by an average of 1.3% per annum in value (from € 1.5 billion) but increased by 2.6% in volume (from 358 thousand tonnes). Imports decreased up to 2006, and then increased strongly in 2007. More was imported from Italy, Poland and Slovakia, but imports from Hungary and Romania decreased.

Imports exceeded exports by 15% in value and by 20% in volume in 2008. Exports were decreasing since 2006. The same period has seen a small increase in domestic furniture production and a small average annual increase in consumption. Although production was high, imports were taking a larger share of the market. Exports were high so there may be some re-exporting.

By source, around 7% of Austria's imports, valued at € 106 million or 41 thousand tonnes, came from developing countries in 2008 (10% by volume). This proportion was 7.5% in 2004 (6.9% by volume). China accounted for 37% of all developing country supplies by value in 2008, followed by Turkey (30%) and Croatia (7%). Indonesia, Bosnia-Herzegovina, Vietnam and Ukraine were also important suppliers. While China's supplies increased by an annual average of 25% over the period, supplies from Turkey increased by 44%. Supplies from Indonesia, Croatia and Bosnia-Herzegovina fell significantly over the period, but supplies from Vietnam were increasing.

By product group, Austrian imports by value were sub-divided as follows:
- The leading two groups were furniture parts with 22% of value and volume (€ 319 million or 88 thousand tonnes) and upholstered seating with 18% of value and 12% of volume (€ 253 million or 48 thousand tonnes).
- 17% of all imports were taken up by other furniture (€ 245 million or 88 thousand tonnes), followed by dining/living room furniture (€ 190 million or 62 thousand tonnes).
- The remainder was taken up as follows: bedroom furniture (€ 146 million), non-upholstered seating (€ 140 million), kitchen furniture (€ 125 million) and rattan furniture (€ 17 million).

Exports

Domestic furniture exports from Austria were valued at € 1.2 billion in 2008, representing 327 thousand tonnes. 57% of this was furniture parts. Between 2004 and 2008, the average annual decrease in exports was 4% by value but there was a 0.8% increase by volume.There may be some re-exporting from the Austrian market, as exports represented a high proportion of domestic production. One third of all exports went to Germany. Italy and Switzerland were the next two largest destinations.

Opportunities and threats

+ The main growth opportunities for developing country suppliers are in non-upholstered seating, upholstered seating and kitchen furniture. Kitchen furniture is a traditionally strong domestic industry, but all have seen impressive DC growth in recent years.
+ Bedroom and dining and living room furniture have not grown along with the average growth of imports, but DC exporters have been showing some increases in share.
- On the other hand, there have been significant falls in supplies of furniture parts and other furniture, although detailed figures are not available for this group.
- Austria takes a very low proportion of its imports from developing countries.

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

Austria has traditionally been one of the higher priced countries in the EU for domestic furniture. However, in terms of purchasing power, prices in Austria were below the EU average. Prices in Austria were similar to prices in the Netherlands and Germany.

According to Eurostat, furniture retail prices increased by 5.4% between 2004 and 2008, but by 2.8% 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 Austria, which was 9.3% higher in 2008 than in 2004. Hence furniture price increases in Austria were below the EU average and well below the all-price index in Austria.

The website of Austrian National Statistics - http://www.statistik.at - publishes harmonised indices of consumer prices, which includes the furniture sector. For up to date furniture prices, see IKEA - http://www.ikea.com/at, leading retailer KIKA - http://www.kika.at - and buying group Garant Möbel - http://www.garant-moebel.at. In a price comparison of the same IKEA products in 18 EU countries, Austria was ranked tenth most expensive. 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. The downward trend in import prices has continued. As Table 4.1 highlights, developing country import prices were one third lower than intra-EU prices. This may explain the trend to more purchases from developing countries. Please note these trends should be interpreted with care, as changes in imports do not reflect changes in demand.

Table 4.1 Development in Austrian 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	4.23	3.84	3.63	-3.8
Intra-EU	4.86	4.31	3.80	-6.0
Developing countries	4.58	2.72	2.61	-13.1

Source: Eurostat (2009)

5 Market access requirements

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

- The Austrian Furniture Industry portal - http://www.moebel.at. Further information can be found at the Austrian Chamber of Commerce - http://www.wko.at - and at http://www.timber-online.net.
- The Furniture and Timber Construction Cluster - http://www.m-h-c.at - has good links to other organisations.
- The Austrian Retail Association - http://www.einrichtungshandel.at.

- CASA - http://www.casa-messe.at - held annually in Salzburg at the end of January, and Wohnen & Interieur Messe - http://www.wohnen-interieur.at - held annually in Vienna each March are the main trade fairs.
- Wohnkultur - http://www.verlag-lorenz.at - and Tischler Journal - http://www.wirtschaftsverlag.at – are the main trade publications.
- Market information can be found at Regioplan Consulting - http://www.regioplan.eu, at Titze – http://www.titze-online.de, at Makam Market Research - http://www.makam.at, at Gfk – http://www.gfk.at - and at Kreutzer Fischer – http://www.kfp.at.
- A good business publication that occasionally produces market information is http://www.austriantimes.at. Austria's leading online market research company is http://www.marketagent.com.

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