CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN SLOVENIA

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Introduction
This CBI market survey gives information on some main developments in the domestic furniture market in Slovenia. 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 domestic furniture market in Slovenia was valued at € 204 million in 2008 in terms of retail sales. This represented € 102 per capita, which was lower than the EU average of € 161, but the highest of the new Member States, with the exception of Cyprus and Malta. Slovenia ranked seventh smallest in the EU in terms of sales. This was a similar value to Slovakia despite its population being less than half the size.

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

2004	2005	2006	2007	2008	Average ann. % change	Population (million)	per capita in €	Occupants per household	Households (thousand)
171	177	190	200	204	4.5	2.0	102	2.7	750

Source: National Statistics, Trade Estimates (2009)

The average annual increase of 4.5% between 2004 and 2008 was well above the EU average of 1.1% over the same period. This can be explained by strong economic growth in Slovenia over this period. Although demand for furniture has fallen in 2008, the market was still able to register a growth in sales despite the effects of the global economic slowdown.

Consumer trends
Demand for furniture is influenced by styles and trends in the neighbouring countries of Austria and Italy. Home decoration is important for Slovenians. Previously many consumers have travelled to Italy to buy furniture, but since the quality of domestic production has improved and the retail infrastructure is developing, most people now prefer to shop at home.

Slovenians are becoming much more environmentally conscious. This has increased the demand for environmentally friendly furniture, made from sustainable sources. Consumers are driven by safety, sustainability, fairness and lower cost. However, price has become more important in the current economic climate.

Beech and maple are the most popular materials for furniture, while the popularity of oak has fallen. Just 10% of Slovenians can afford the top of the range furniture items. The mid-market segment offers potential, as there has not been sufficient choice on the market for these products. This has started to change as large retail developments have brought higher quality products into the market.

The Internet as a source of information for selecting furniture items is increasing strongly. Consumers are quite cautious and often spend much time on research before committing to a major purchase. The Internet is proving to be a great help in this process and is shortening the time consumers take before making a decision.

Consumption by product group
In terms of the respective product groups, dining and living room furniture represented the largest group (29%), followed by upholstered seating (24%); kitchen furniture (19%); bedroom furniture (16%) and other furniture (12%).

Market outlook
Although Slovenia fell into recession in mid-2009, it is predicted that the country will not be as severely affected by the global economic downturn as many of its neighbours. It is likely that there may be a small contraction in the market value in 2009, but that it will recover in 2010 and grow thereafter. However, the country's low birth rate and high inflation may impact on growth.

Production
Slovenia is a relatively small producer of domestic furniture, but the furniture industry is an important part of the economy. The strength of the industry is due to a concentration, or cluster of specialising companies that produce a wide spectrum of different styles and types of furniture.

Domestic furniture production in Slovenia was valued at € 814 million in 2008. This represented an average annual increase of 4.8% since 2004, compared to the EU27 average increase of 0.9%. The industry was similar in size to a number of countries including Greece, Portugal and Hungary. Production value fell in 2008, due to the collapse in export markets, caused by the global economic slowdown. However the contraction has been less than in many other furniture manufacturing countries.

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

2004	2005	2006	2007	2008	Average ann.% change	Number of companies 2006	Number of employees 2006
676	692	826	856	814	4.8	571	8,986

Source: National Statistics, Eurostat (2009)

Over half of Slovenia is covered by forest, making it one of the most wooded countries in Europe and also one of the country's most important natural resources. The furniture sector is characterised by many small and a handful of large producers.

According to Eurostat, domestic furniture production segmentation in 2008 was as follows: dining and living room furniture 23%; bedroom furniture 21%; furniture parts 21%; kitchen furniture 16%; non-upholstered seating 10% and other furniture 9%. Eurostat does not provide information on production of upholstered seating, but in 2005 this represented 13% of all production.

Some interesting manufacturers in Slovenia include:

- The Novoles Group - http://www.novoles.si - produces a wide range of furniture styles and is well-represented on the domestic market.
- Lip Radomlje - http://www.lip-radomlje.si - has a long tradition in woodworking, making tables and chairs of oak and sometimes beech.
- Paron - http://www.paron.si - employs 180 people and has been producing domestic furniture since 1994, with availability on the local market.
- Celes - http://www.celes.si - located in Cerkno, is a designer and producer of wooden furniture in modern and contemporary style including coffee tables, tables and living room equipment.
- Milax - http://www.milax.si - located in Radomlje, produces classically designed upholstered sofas and armchairs.

Details of additional producers can be found at the Chamber of Commerce - http://www.gzs.si/katalogi/zacetna_stran.asp?jezik=ang.

Trends in production
The industry is developing and many producers have invested in new machinery and training so there is a relatively skilled workforce. A continuing focus on exports is designed to maintain and develop Slovenia's international reputation for quality.

Opportunities and threats
+ Although the domestic market is relatively small, consumers are receptive to new products from other countries. It offers opportunities for exporters from developing countries who can provide new designs and styles, particularly if environmental standards can be met.
+ Slovenian lifestyles are changing and modernising. This will provide new opportunities for products such as home office furniture and furniture for new homes.
+ As the local production industry is attempting to become yet more competitive, there will be local manufacturers wishing to form partnerships with developing country producers. This may be in the form of outsourcing, or it could be a closer collaboration, depending on the respective companies involved.

Many exporters will also be viewing the opportunities available on the Slovenian 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 retail market is relatively small and developed. There are a number of strong domestic retail chains that has meant there are less international retail chains in Slovenia than in most other EU countries. There are a number of small independent retail specialists, but their influence in the market is diminishing.

Despite the small size of the market, exporters from developing countries should try to identify suitable wholesalers and importers to reach the retail sector. It may also be possible to approach some of the specialist chains directly, or to use this market as a springboard to other Balkan markets. The large production industry and high penetration of DC imports also suggests that market entry through manufacturers could also be an important entry channel.

Interesting wholesalers and importers include:
- Fortrade - http://www.fortrade.si - is the leading furniture wholesaler, based in Vrhnika, and supplies 120 retailers throughout the country.
- Inka Impex - http://www.inka-impex.si - located in Celje, deals with wooden furniture, especially bamboo furniture, making products such as beds.
- Oreks - tel +386 70 708464 - located in Kamnik, deals with European furniture including sofas.
- Al-Hussain Trgovina - tel +386 1 4303170 - located in Ljubljana, imports exotic furniture.

Retail trade
According to market research specialist Mintel, there were 158 furniture and related businesses in Slovenia in 2006, representing approximately 650 retail outlets. The leading domestic retail specialists are Mercator - http://www.mercator.si/mmobil - with 35 furniture-specific outlets, Lesnina - http://www.lesnina.si - with 14 outlets, manufacturer Lip Bled - http://www.lip-bled.si - has six outlets, including one in Croatia and a further six franchised stores, and Liiz Karantania - http://www.liiz-karantania.si - has five outlets. The manufacturer Slovenijales Trgovina - http://www.slovenijales-trgovina.si - also has some retail outlets.

There are some international furniture retailers such as the Australian retailer Harvey Norman - http://www.harveynorman.si/intro - which has three outlets, and Rutar – http://www.rutar.com. IKEA has not entered the market yet but has plans to do so.

Some non-specialists sell furniture, including DIY retailer Merkur - http://www.merkur.eu, department store retailer Nama – http://www.nama.si - and mail order specialist Neckermann - http://www.neckermann.si. Internet sales are increasing strongly in Slovenia and it is forecast to be an important channel for furniture sales in the near future.

Price structure

Throughout the furniture trade different prices and margins apply. Retailers typically add a margin of between 80-120% to wholesale prices, excluding VAT of 20%. Wholesale margins are much lower. 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**

More information can be found in Chapter 3.2 of the CBI market survey 'The domestic furniture market in the EU'. More information on trade structure and business contacts can be found at the Business Opportunities Exchange System - http://www.borza.org - or at the Chamber of Commerce -http://www.gzs.si.

3 Trade: imports and exports

Imports

In 2008, Slovenian imports of domestic furniture were valued at € 447 million, or 75 thousand tonnes. Out of the 27 EU countries, Slovenia was ranked fifteenth largest in value and twentieth largest in volume, and as such was regarded as a small-medium-sized country for domestic furniture imports. This was similar in value to Hungary, Slovakia and Portugal, and similar in volume to Ireland and Bulgaria.

Between 2004 and 2008, Slovenian imports increased by an average of 15% per annum in value (from € 259 million) but decreased by 3.6% in volume (from 87 thousand tonnes). Croatia, Bosnia-Herzegovina, Germany, Italy, Austria and Poland were the major sources of imports.

Exports were over double the value of imports, and they exceeded imports by a similar amount in volume in 2008. Import values were increasing more quickly than export values. The same period has seen an increase in domestic furniture production and an above average annual increase in consumption. Local production is well supported, nevertheless imports are taking an increasing share of the market.

By source, around 57% of Slovenian imports, valued at € 253 million or 28 thousand tonnes, came from developing countries in 2008 (37% by volume). This proportion was 28% in 2004 (20% by volume). Croatia accounted for 46% of all developing country supplies by value in 2007, followed by Bosnia-Herzegovina (43%) and China (4%). Serbia, Macedonia, Malaysia and Indonesia were also important suppliers. While Croatia's supplies increased by an annual average of 46% over the period, supplies from Bosnia-Herzegovina increased by 28%. Supplies from all other leading suppliers also increased over the period.

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

- The leading two groups were furniture parts with 74% of value and 44% of volume (€ 329 million or 33 thousand tonnes) and upholstered seating with 6% of value and 9% of volume (€ 27 million or 7 thousand tonnes).
- Non-upholstered seating represented 6% of value and 12% of volume (€ 25 million or 9 thousand tonnes) and kitchen furniture accounted for 4% of value and 6% of volume (€ 18 million or 5 thousand tonnes).
- The remainder was taken up as follows: dining/living room furniture (€ 17 million), other furniture (€ 16 million), bedroom furniture (€ 12 million) and rattan furniture (€ 2 million).

Exports

Domestic furniture exports from Slovenia were valued at € 959 million in 2008, representing 159 thousand tonnes. Two thirds of this was furniture parts. 45% of all exports were destined for Germany, Slovakia and Austria. Between 2004 and 2008, the average annual increase in exports was 2.8% by value but there was a 4.8% decrease by volume. There may be some re-exporting from the Slovenian market, as exports outweighed registered domestic production. The high proportion of furniture parts also suggests that Slovenia was used for partial assembly of furniture before onward shipping for completion elsewhere.

Opportunities and threats

\+ The main growth opportunities for developing country suppliers are in furniture parts. Import growth of furniture parts was over 20% per annum, and this was clearly the largest group of imports.

\+ Other notable opportunities are in non-upholstered seating, which also has strong domestic production, as well as kitchen furniture.

\+ Smaller growth has been shown by upholstered seating, bedroom and dining/living room furniture, but DC exporters have seen above average increases.

\- Rattan and other furniture have experienced falling imports, although detailed figures are not available for other furniture.

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 Slovenia were well below the European average. In terms of purchasing power, prices in Slovenia were similar to prices in Hungary and the Czech Republic.

According to Eurostat, furniture retail prices increased by 23.4% between 2004 and 2008, but by 8.5% in 2008, indicating that prices are continuing to increase strongly. 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 Slovenia, which was 14.7% higher in 2008 than in 2004. Hence furniture price increases in Slovenia were well above the EU average and well above the all-price index in Slovenia.

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 since 2004. As Table 4.1 highlights, import prices were increasing despite the fact they were amongst the highest in the

EU. However, intra-EU import prices to Slovenia were below developing country import prices, which is likely to be explained by the high proportion of developing country imports from neighbouring Balkan countries. 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 Slovenian 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	2.99	5.44	5.99	19.0
Intra-EU	2.74	3.60	4.13	10.8
Developing countries	4.09	8.45	9.18	22.3

Source: Eurostat (2009)

The website of Slovenian National Statistics - http://www.stat.si - publishes harmonised price indices. Retail prices of furniture can be found at the websites of the retailers Rutar - http://www.rutar.com - and Lesnina - http://www.lesnina.si.

5 Market access requirements

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

- The Slovenian Wood Processing Association - mailto:igor.milavec@gzs.si - is a branch association of the Chamber of Commerce.
- The Chamber of Commerce - http://www.gzs.si - also features information on furniture. More information can be found at http://www.sloveniapartner.com/article.asp?IDpm=158.
- The Ljubljana Furniture Fair - http://www.ljubljanafair.com or http://www.gr-sejem.si - takes place each November.
- Les (Wood) - http://www.zls-zveza.si or mailto:revija.les@siol.net - is the trade journal that covers furniture.
- You can find relevant articles that have been published in Slovenia Business Week - http://www.gzs.si/sbw. Slovenia News - http://slonews.sta.si, and the Slovenian Economic Mirror – http://www.umar.gov.si - also publish good information.
- The market research company GfK – http://www.gfk.si - also has a branch in Ljubljana.

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