CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN SPAIN

Publication date: October 2009

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

- The Spanish market for domestic furniture was valued at € 6.3 billion in 2008, an average annual increase of 1.6% since 2004. Domestic furniture production was estimated to be € 6.8 billion in 2008, representing an average annual increase of 0.7% since 2004.
- In 2008, Spain imported domestic furniture valued at € 1.8 billion, or 910 thousand tonnes. This represented an average annual increase in value of 4.5% since 2004. In terms of volume, the annual increase was 14%.
- 34% of Spanish imports by value (€ 618 million) came from developing countries and 29% (260 thousand tonnes) by volume. The share of supplies from developing countries was up from 26% in value (€ 399 million) in 2004, but down from 36% in volume terms (from 190 thousand tonnes). Spain had an above average share of developing country imports compared with other EU countries for this sector. Spain was not known to have significant re-exports of domestic furniture.

This survey provides exporters of domestic furniture with sector-specific market information related to gaining access to Spain. 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

The Spanish market for domestic furniture was valued at over € 6.3 billion in 2008. This represented a 6% decrease compared with 2007 but an average annual increase of 1.6% since 2004. This was just above the EU average of 1.1% growth over the same period. Spain was the fifth largest EU market, well behind Germany, Italy and the UK, but closer to the size of the French market. Per capita consumption of € 141 was below the EU27 average of € 161. Spain accounted for 8% of all EU consumption of domestic furniture.

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

2004	2005	2006	2007	2008	Average ann. % change	Population (million)	per capita in €	Occupants per h/h	Households (thousand)
5,951	6,189	6,430	6,751	6,346	1.6	44.9	141	2.8	15,600

Source: Cetelem (2009)

The Spanish economy has been in recession since early in 2008. The house-building boom ended and unemployment increased sharply. Consequently consumer confidence has dropped and spending on higher value consumer goods such as furniture has suffered as a consequence.

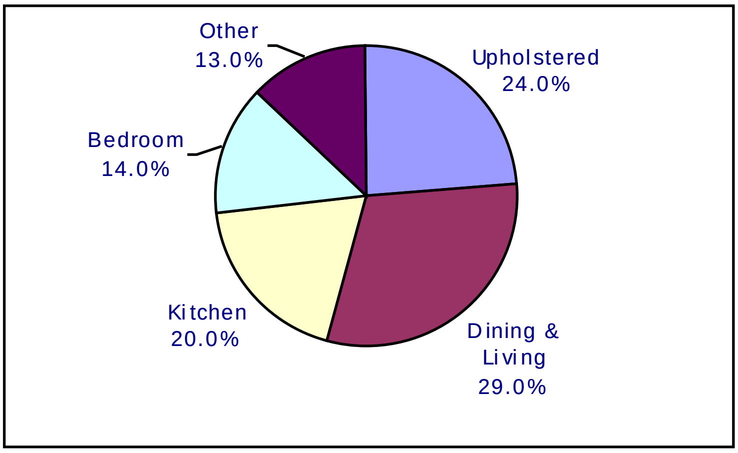
Purchasing furniture has traditionally not been a priority for Spanish consumers. According to a study by the furniture trade association ANIEME, over half of Spaniards replace their furniture out of necessity and not for pleasure, while 20% of consumers replace their furniture gradually, on a piece by piece basis.

This attitude to furniture has been changing. Previously seen as a basic necessity, consumers now want their furniture to reflect a particular style, as well as providing a feeling of well-being, cocooning and refuge. Retailers such as IKEA have successfully provided products that meet consumer aspirations, whereas many traditional manufacturers have had to adapt their ranges to remain relevant to today's consumers. Classic, rustic and rattan furniture styles have suffered most from these changes.

Spanish homes have traditionally featured individual furniture items, particularly non-upholstered seating. Bedrooms have been furnished with darker coloured furniture. This has also been the case for dining rooms, although lighter coloured designs are also appearing alongside smaller pieces of furniture. Dining room tables are getting smaller and furniture to accommodate technology such as computers and large screen TVs is being introduced. Although sales of kitchens have fallen in 2008, they had previously enjoyed a boom due to consumers wishing to bring more well being and comfort into their homes. New contemporary kitchen designs have helped to change the more classical style of home interiors.

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, dining and living room furniture was valued at € 1.8 billion; upholstered seating was € 1.5 billion; kitchen furniture was € 1.3 billion; bedroom furniture was € 888 million and other furniture was € 825 million.

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



Source: Eurostat (2009)

Market outlook
The Spanish economy has suffered worse than most other leading EU Member States. The furniture market has been hit particularly badly because the housing market has come to a halt. Hence there will be a further significant contraction of this market in 2009. Consumer confidence is starting to return, but there is still a long way to go before the economy will pick up and consumers start spending again. The downturn in the furniture market may continue into 2010, although a turnaround should start during that year.

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 neighbourhood*

Cameo is a powerful segmentation classification that allows users to profile, segment and target the Spanish population. The country has been divided into ten separate neighbourhoods, each of which has its own socio-economic and demographic profile, as highlighted in Table 1.2. These segments provide a good indicator of demand for different types of furniture based on age, occupation and income levels of the respective household types.

Table 1.2 Cameo neighbourhood classifications in Spain

Cameo group	% of popn.	Adult age	Retire index*	Family composition	Tenure	Employment type
Affluent urban neighbourhoods	12.31	Mixed	93	Couples & singles, some families	Mixed tenure	Professional, white collar, skilled
Wealthy Households Nearing & Enjoying Retirement	10.83	Mixed	137	Mixed households	Owner occupied, privately rented	Director, professional, white collar
Affluent Family Neighbourhoods	8.04	20-59	35	Couples & families	Owner occupied, mortgaged	Director, professional, white collar, blue collar
Comfortable Homeowning Neighbourhoods	17.34	20-59	75	Couples & families	Owner occupied, mortgaged	Mixed employment
Comfortable Households Nearing & Enjoying Retirement	7.27	30-70+	143	Mixed households	Mixed tenure	Director, professional, white collar
Comfortable Mixed Tenure Households	13.68	Mixed	95	Mixed households	Mixed tenure	Mixed employment
Less Affluent Mixed Households	11.08	20-49	78	Mixed households	Mixed tenure	Mixed employment
Less Affluent Mature Households	3.83	50-70+	184	Couples & singles, some families	Mixed tenure	Mixed employment
Poorer Family Neighbourhoods	10.32	Mixed	93	Singles, couples & families	Mixed tenure	Skilled, blue collar, unskilled, rural trades
Poorer Mature Rural Communites	5.39	50-70+	178	Couples & singles, some families & extended families	Inherited, owner occupied, state owned, other	Mixed employment

Source: Eurodirect Database Marketing
*The retirement index refers to the people in each group over retirement age. For example, there are very few in the affluent family neighbourhoods group, whereas there are many in the less affluent mature households and poorer mature rural community groups.

- *Segmentation by values*

Research carried out by the University of Alicante has identified four consumer segments comprising different combinations of human values. Values are helpful in understanding consumer behaviour and motivations, particularly in relation to purchasing branded products. 11 types of values were identified, under three separate categories, each with their own characteristics:

- *Collective values* – tradition, benevolence and spiritualism
- *Individual values* – achievement, stimulation, power, creativity, independence
- *Mixed values* – security, ecology, universalism

Each of these values interacts in different ways with the four consumer segments. Consumer Type 1 is security conscious, non-innovative and non-motivated by ecology. Consumer Type 2 is social rebel. Consumer Type 3 is tradition-seeking but ecologically conscious and highly innovative. Consumer Type 4 is non-traditional, high-achieving power seeker.

Hence, Type 1 consumers are more likely to be interested in traditional styles of furniture and not particularly interested in sustainably produced items, whereas Type 2 consumers will look for new products and not be influenced by current fashions. Type 3 consumers will be those that will be interested in eco-friendly furniture products, while Type 4 consumers will be less predictable in their purchasing behaviour.

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.

- ***Influence of the media.*** Despite the downturn in the housing market, there continues to be a high demand for home makeover programmes on television, along with a huge range of home interest magazines. This encourages consumers to purchase furniture as a means of changing the look of their room, rather than because their existing furniture is worn out and needs replacing. These influences have helped consumers to be more adventurous. The trend in the downturn is to look for ideas for changing the look of a room on a budget.
- ***Demographic changes.*** There has been a 300% increase in the number of new immigrants, essentially from Latin America, Africa and Eastern Europe in the last ten years. These people prefer to buy furniture from a showroom, and want to achieve the best relationship between price and quality. 70% of this group prefer to buy furniture and other decorative home furnishings from the same outlet. ‘Young Living’ is an important focus for furniture retailers, due to the significant increase in the proportion of young people and single-person households. These people are looking for more individualistic furniture items, as well as smaller, multi-functional products that can fit in modern homes.
- ***Growth of the eco-consumer.*** This trend has emerged in Spain later than in some other Northern European countries, but nevertheless it is now an important part of the purchase consideration for furniture. Manufacturers have reacted slowly to this trend and some have yet to take the trend seriously, leaving more opportunities for importers. In Spain this trend is expressed more as a return to tradition rather than a new development.
- ***Changing homes to reflect changing lifestyles.*** Living rooms are accomodating larger comfortable chairs and accessories for entertainment, to the exclusion of other furniture, such as sideboards and shelves, which have either been removed, or are getting smaller. Kitchens are being professionalised (more gadgets) and socialised. From being a small functional room for cooking, they are now being integrated into the design of the lounge. Bathrooms are now designed for relaxation rather than function. Better use of the small space is made by the separation of the bath space from the sink area. The bedroom has become a more frequently used space for other activities in addition to sleeping. The bedroom has become the space where a person projects his individuality.

Production

Total production

The value of domestic furniture production in Spain was € 6.8 billion in 2008, representing an average annual increase of 0.7% since 2004. Production increased particularly strongly in 2007 but this has fallen back significantly in 2008 due to the global economic downturn. This decline has continued even more sharply into the first half of 2009. Spain was the third largest domestic furniture producer in the EU, after Italy and Germany, having recently overtaken the UK and France in production value. Spain accounted for over 9% of all EU domestic furniture production.

Table 1.3 Production of domestic furniture by Spain, 2004-2008, € million

2004	2005	2006	2007	2008	Average % change in value	Number of companies 2006	Number of employees 2006
6,608	6,485	6,674	7,474	6,801	0.7	18,021	108,326

Source: Spanish Furniture Association, Eurostat (2009)

The Catalonia region is the leading region for export production, followed by Valencia and Madrid. Companies in the medium-high and high market segments will be better placed to weather the economic downturn, whereas those companies that operate in the low end of the market will be further challenged by competition from imports.

According to Eurostat, bedroom furniture was the largest segment of Spanish domestic furniture production, representing a 23% share, valued at € 1.6 billion, followed by kitchen furniture (€ 1.6 billion or 23%); dining and living room furniture (€ 1.1 billion or 17%); other furniture (€ 1.1 billion or 16%); furniture parts (€ 1 billion or 15%), non-upholstered seating (€ 305 million or 4%) and rattan furniture (€ 85 million or 1.2%). Eurostat does not provide information on upholstered seating, but this represented 14% of production in 2005.

Main and interesting players

- Calatayud - http://www.hcalatayud.com - located in Valencia, is a manufacturer of contemporary and design furniture such as bedroom and dining room furniture.
- Joenfa -http://www.joenfa.es - located in Valencia, manufactures modern and rustic furniture for bedrooms and living rooms. This company is sells both at home and abroad.
- Danona - http://www.danona.com - works with natural woods and produces a range of domestic furniture products for the home.
- Mariner - http://www.mariner.es - has been established for over 100 years. It produces a range of furniture styles including classic, neo-classic, contemporary and romantic.
- Arte Dys - http://www.artedys.com - is a manufacturer of solid wood furniture, with a particular emphasis on chests and tables.
- Becara - http://www.becara.com - located in Madrid, designs, produces and distributes furniture with hard wood or iron and cast iron. It supplies rustic, modern or colonial furniture including seats, tables, sofas and bookcases.

A list of manufacturers can be found at the website of the Spanish Association of Furniture Manufacturers and Exporters - http://www.anieme.com.

Trends in production

The industry is continuing to focus on exports, which currently represent a low proportion of production. As part of this there are two key initiatives for the Spanish industry to progress in the future:

- ***Developing the brand of Spanish furniture.*** The ‘made in Spain’ branding will be further enhanced and promoted. This communicates the quality, tradition and distinguishing characteristics of Spanish furniture styles.
- ***Developing new distribution channels.*** As well as strengthening existing channels, there are plans to establish and build business networks in Europe and enhance the channel contract through direct actions in Morocco and Russia. It also includes market research in emerging countries, parts of Africa, the near and middle-east and former Soviet countries.

Opportunities and threats

+ The greatest opportunities for exporters from developing countries can be found with young consumers in urban areas. They want modern styles and are more receptive to design styles from other countries. At the same time, they are rejecting traditional styles.
+ Opportunities can now also be found in the supply of environmentally-friendly furniture made from sustainable sources.

+ Meanwhile, there are more affluent, older consumers who are looking for furniture specially designed for ease of use, incorporating technical features to create greater comfort.
+ Spanish manufacturers have been forced to outsource and have closer working relationships with manufacturers in other countries in order to adapt to the changing global marketplace. As well as being interested in working with new styles of furniture, they are also interested in finding good partnerships to sub-contract work.

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. Spanish 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

- The Technological Institute for Furniture and Wood can be reached at http://www.aidima.es. It produces reports on the Spanish Furniture Market, including the annual 'Observatorio Español del Mercado del Mueble'.
- There are a number of commercial research organisations that regularly produce reports on various sectors of the Spanish furniture market, but these can only be obtained at a cost. They include Csil, the Furniture Research Institute in Milan - http://www.csilmilano.com, GfK Emer, part of the GfK group - http://www.gfk-emer.com - and AC Nielsen – http://www.acnielsen.es.
- Market research companies Euromonitor - http://www.euromonitor.com - and Mintel - http://www.mintel.com - both produce occasional reports on the furniture market.
- Production information can be obtained from Spanish National Statistics - http://www.ine.es, as well as Eurostat.
- Details on other important trade associations can be found in Chapter 6.

2 Trade channels for market entry

Trade channels

Furniture ***distribution in Spain is very fragmented***. Spanish consumers still prefer to buy from their local shops, but this habit is changing, as the retail structure has followed the pattern of other leading EU countries. The arrival of international specialist retailers has had a significant impact on local retailers. They have had to respond to this challenge by joining together, sometimes on a regional basis, to form specialist chains themselves. Some small retailers have been forced out of business.

Despite the concentration of the trade into fewer but larger businesses and the availability of furniture in a wider range of outlets that previously have not sold this type of product, exporters from developing countries should still focus on specialist wholesalers and importers as a means of entering this market. Agents are also important operators in the furniture sector. The College of Spanish Commercial Agents can be reached via http://www.cgac.es. The organisation is arranged on a regional basis. Furniture agents can be contacted via the regional websites.

Interesting wholesalers and importers include:

- De Tropen - http://de-tropen.com - located in Granada, is an importer of colonial furniture including lounge sets, teak furniture, tables and chairs. This company was established in 1993.
- Oxford furniture - http://www.oxfordfurniture.net - located in Barcelona, imports its products directly from Asia. It offers modern furniture, garden furniture and bamboo flooring and has an online shop.
- Verno Spain - http://vernospain.com - located in Barcelona, was founded in 1944. This company deals with contemporary styles of furniture.

- Syette - http://www.syette.com - located in Valencia, is a company that sells furniture manufactured in either Spain or Latin America. The main materials used are solid wood, veneer, glass, steel or plastic. It also uses some exotic materials.
- Buar Artesanos - http://www.cestasdemimbre.com - located in Teruel, imports and produces a range of products including wooden furniture and ethnic furniture. The main materials used are solid wood, wicker, rattan or bamboo.

Retail trade

According to retail specialists Verdict, the number of specialist retail outlets stands at just over 10,000, a figure that has declined by over 10% in the last five years as concentration in the industry increases. Large specialists achieved over 30% of sales, but small independents still dominate, as indicated in Table 2.1. Figures are not available for 2008, but a similar picture is expected, with perhaps a slight increase in the share for specialist outlets.

Table 2.1 Share of Retail Distribution in Spain, 2007, % value

Outlet type	% share
Specialists	**75%**
Independents	28%
Chain stores	22%
Franchised stores	5%
Buying groups	20%
Non-specialists	**25%**
Department stores	18%
Hypermarkets	2%
DIY	1%
Mail order	2%
Factory outlets	2%
Total	**100%**

Source: Verdict, Trade estimates (2008)

Leading specialists include IKEA – http://www.ikea.com/es - with 11 outlets, and plans for more. IKEA is comfortably the largest with revenues more than twice as high as its nearest rival. Many other retailers are picking up on the 'young living' trend and redesigning their product ranges and changing the ambiance of their stores to take advantage of this trend. Merkamueble - http://www.merkamueble.com - is the second largest retailer with 67 outlets and is also looking to expand its presence, Conforama – http://conforama.es - has 15 outlets and Moblerone – http://www.moblerone.es - with 41 outlets. Other specialists include KA International, Habitat, BoConcept and Jysk, now with four outlets in Spain. The French retailer Fly has two outlets. Kibuc – http://www.kibuc.com - is a national retail chain with 60 outlets.

Buying groups are important in Spain. There are a number of important groups, including:
- Grupo Ventura - http://www.grupoventura.com - which operate 80 outlets under six different fascia (Max Descuento, El Rebajon, La Factoria, Rustika, La Meubleria, Del Sofa).
- Some buying groups are working together, including ACEM - http://www.acem.es - with 65 associates and 100 points of sale, and Europa Muebles - http://www.europamuebles.com - which has 111 franchised outlets and operates the Kiona, Dister, Tifon and Outletconfort outlets.
- Intermobil - http://www.intermobil.es - is another leading buying group, with outlets in over 40 towns. It operates three formats, including Habitat (34 outlets), Seleccion (73 outlets) and Descanso (3 outlets).
- Grupo Rey - http://www.reycorporacion.com - has been expanding through its retail franchises Muebles Rey, Tuco, Zenit Rey and Decorae.

The ***non-specialist segment*** is dominated by the department store chain El Corte Ingles – http://www.elcorteingles.es - which has 68 outlets. Leading hypermarkets with limited lower-priced furniture are Carrefour and Eroski, while in the DIY segment, Leroy Merlin (43 outlets) and AKI (29 outlets) also sell some furniture, particularly kitchen furniture. Online sales are growing but they do not account for the same sales levels as some other EU countries. However some furniture is still sold via mail order.

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 margins 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. VAT of 16% 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 multiple 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.

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**

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 Spain. 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.
- Spanish contacts can also be found at trade magazines for the furniture industry, which are mentioned in Chapter 6.
- Two furniture portals for professionals in the furniture trade are http://www.mueble.com and http://www.intermobel.net.
- A furniture search engine – http://www.webmueble.es - and a furniture directory – http://www.elmueble.info.
- The furniture portal for the Valencia region - http://www.mueblesdevalencia.com.
- The organisation that promotes investment in Spain - http://www.investinspain.org - and the Spanish Institute for Foreign Trade - http://www.spainbusiness.com or http://www.icex.es - are good information sources on doing business in Spain.
- The Spanish Chambers of Commerce – http://www.camaras.org.

3 Trade: imports and exports

Imports

Total imports

In 2008, Spain imported domestic furniture valued at € 1.8 billion, or 910 thousand tonnes. This accounted for 5.6% of all EU imports by value, or 8% by volume. This represented an average annual increase in value of 4.5% since 2004 from € 1.5 billion (14% in volume from 531 thousand tonnes). Spain was the sixth largest importer of domestic furniture by value (after Germany, France, the UK, Belgium and the Netherlands), but fourth largest in volume (after Germany, the UK and France). In value terms, its imports were similar to those of the Netherlands.

This growth in imports contrasted with a 5.6% annual decrease in exports. Import values were almost double the size of export values and import volumes were double the size of export volumes. Production in Spain has decreased in value since 2007, and re-exporting was not a significant factor. At the same time, the consumer market has been showing a small annual increase over the period. The significant import growth has been primarily taken up by the domestic market.

Around 34% of Spanish imports by value (€ 618 million) came from developing countries and 29% (260 thousand tonnes) by volume. China was the largest supplier (20% of total value imports and 19% of total volume imports), with supplies valued at € 364 million or 171 thousand tonnes. The second largest supplier was France (15% of total value imports and 22% of total volume imports), with supplies valued at € 275 million or 204 thousand tonnes. The next two largest suppliers to Spain were Germany and Italy. Germany had supplies valued at € 244 million, or 63 thousand tonnes (14% of value and 6.9% of volume). Italy had supplies valued at € 210 million, or 233 thousand tonnes (12% of value and 26% of volume).

The share of supplies by developing countries was up from 26% in value (€ 399 million) in 2004, and up from 36% in volume terms (from 190 thousand tonnes). Supplies from China, the leading developing country supplier increased by an annual average of 18% (16% by volume) over the period from € 188 million (95 thousand tonnes), while Indonesia's supplies decreased by an average of 9.3% per annum by value and 9% by volume. Indian supplies decreased, but Vietnamese, Turkish, Brazilian and Malaysian supplies increased. Supplies from Thailand were broadly unchanged. Portuguese and Polish supplies also increased.

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 Spain 2004 - 2008, share in % of value

Product	2004 € mln	2006 € mln	2008 € mln	Leading suppliers in 2008 Share in %	Share (%)
Total market sector	1,059	930	1,162	Intra EU: France (15.2%), Germany (13.5%), Italy (11.5%), Portugal (10.3%), Poland (3.3%)	64.1
	64	54	32	Extra EU ex. DC*: Taiwan (0.9%), USA (0.4%), Canada (0.1%), Hong Kong (0.1%), Switzerland (0.1%)	1.8
	399	588	618	DC*: China (20.1%), Indonesia (3.0%), Vietnam (2.0%), Brazil (1.9%), Turkey (1.8%), Morocco (1.1%), Malaysia (1.0%), S Africa (1.0%), Thailand (0.6%), India (0.6%)	34.1
Furniture parts	445	488	595	Intra EU: Germany (23.3%), Portugal (18.3%), France (10.1%), Italy (10.0%), Czech Rep (5.9%)	80.9

Product	2004 € mln	2006 € mln	2008 € mln	Leading suppliers in 2008 Share in %	Share (%)
	22	27	17	Extra EU ex. DC*: Taiwan (1.3%), USA (0.7%), Canada (0.2%), Norway, Switzerland	2.7
	34	92	123	DC*: China (6.3%), Turkey (4.1%), Morocco (2.5%), S Africa (2.3%), Ukraine (0.5%), Tunisia (0.3%), Brazil (0.2%), Croatia (0.1%), Indonesia (0.1%), Thailand (0.1%)	16.8
Upholstered seating	82	109	117	Intra EU: Italy (20.9%), France (11.4%), Portugal (5.8%), Romania (4.2%), Germany (4.0%)	52.0
	6	6	3	Extra EU ex. DC*: Taiwan (0.7%), Hong Kong (0.3%), USA (0.3%), Norway (0.1%), Japan (0.1%)	1.7
	40	105	104	DC*: China (39.6%), Malaysia (2.4%), Vietnam (1.5%), Indonesia (0.8%), Thailand (0.7%), Turkey (0.3%), Brazil (0.3%), India (0.1%), S Africa (0.1%), Ukraine (0.1%)	46.3
Non-upholstered seating	66	58	65	Intra EU: France (12.3%), Italy (6.4%), Germany (3.4%), Belgium (2.4%), Romania (1.5%)	32.3
	8	7	5	Extra EU ex. DC*: Taiwan (1.6%), USA (0.4%), Israel (0.1%), Hong Kong (0.1%), Norway	2.3
	75	111	132	DC*: China (52.0%), Vietnam (5.8%), Indonesia (2.2%), Malaysia (2.2%), Thailand (1.0%), Turkey (0.8%), Brazil (0.4%), India (0.3%), Philippines (0.1%), S Africa (0.1%)	65.4
Ding/living room furniture	111	85	97	Intra EU: France (17.6%), Italy (11.7%), Portugal (9.1%), Germany (2.6%), Denmark (2.4%)	48.4
	3	4	3	Extra EU ex. DC*: USA (0.7%), Taiwan (0.2%), Hong Kong (0.1%), Switzerland (0.1%), Canada	1.2
	100	124	101	DC*: China (22.8%), Indonesia (10.5%), Brazil (6.6%), India (3.1%), Vietnam (2.6%), Malaysia (2.1%), Thailand (0.8%), Mexico (0.5%), Egypt (0.3%), Philippines (0.3%)	50.4
Rattan furniture	15	13	9	Intra EU: Italy (8.4%), France (3.5%), Germany (3.1%), Belgium (2.0%), Portugal (0.8%)	18.6
	1	3	2	Extra EU ex. DC*: Taiwan (3.1%), Norway (0.2%), USA (0.2%), Israel, Switzerland	3.8
	31	37	38	DC*: China (45.1%), Indonesia (22.6%), Vietnam (6.3%), Philippines (1.9%), Turkey (0.6%), India (0.3%), Paraguay (0.2%), Morocco (0.2%), Thailand (0.2%), Malaysia (0.1%)	77.6

Source: Eurostat (2009)
*Developing Countries

Furniture parts
This was the largest of the selected product groups. Valued at € 735 million in 2008 (186 thousand tonnes), this represented 40% of all domestic furniture imports to Spain (20% by volume). This compared with a share of 33% in 2004 (26% by volume or 138 thousand tonnes). Hence this product group was increasing in significance in its value but decreasing in its volume contribution to imports. Intra-EU trade represented 80% of the value of supply

(80% by volume). This decreased from 89% in value and from 86% in volume in 2004. The German, Portuguese, French and Italian shares of supplies decreased compared with 2004, while the Czech share of supplies increased.

Developing country suppliers represented 17% of all imports by value (also 17% by volume or 32 thousand tonnes), up from 6.8% (€ 34 million) in 2004, and from 10% or 13 thousand tonnes by volume. China (€ 46 million or 25 thousand tonnes) was the leading developing country supplier of furniture parts. Its share doubled compared with 2004. All the other leading developing country suppliers increased their supplies to Spain.

In terms of product groups, other parts of seats represented 73% of the value of the product group (€ 533 million or 115 thousand tonnes, down marginally from 75% in 2004), while metal parts of furniture were 13% (€ 97 million or 29 thousand tonnes), wooden parts of furniture were 8.3% (€ 61 million or 29 thousand tonnes), other parts of furniture accounted for 5.1% and wooden parts of seats were 0.9%.

Upholstered seating
This was the second largest product group. Valued at € 224 million in 2008 (57 thousand tonnes), this represented 12% of all domestic furniture imports to Spain (6.2% by volume). This compared with a share of 8.4% or € 128 million in 2004 (5.1% by volume or 27 thousand tonnes). Hence this product group was increasing in significance in its contribution to imports. Intra-EU trade accounted for over half of the value supply (32% by volume). This decreased from 64% in value and from 44% in volume in 2004. The Portuguese and Romanian shares of imports increased since 2004, whereas the Italian, French and German shares decreased.

Developing country suppliers represented 46% of all imports by value (67% by volume or 38 thousand tonnes), up from 31% (€ 40 million) in 2004, and from 51% or 14 thousand tonnes by volume. China (€ 89 million or 33 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 30% over the period, values from Malaysia increased by 26%, values from Vietnam increased by 49%, and values from Indonesia increased by just 2%.

In terms of product groups, upholstered seats with wooden frames at € 136 million (34 thousand tonnes) represented 61% of the value of all upholstered seating (up from 56% in 2004); upholstered seats with metal frames (€ 88 million or 22 thousand tonnes) accounted for the remainder of this product group.

Non-upholstered seating
This was the next largest of the selected product groups. Valued at € 202 million in 2008 (73 thousand tonnes), this represented 11% of all domestic furniture imports to Spain (8% by volume). This compared with a share of 9.8% in 2004 (10% by volume or 54 thousand tonnes). Hence this product group was increasing in significance in its value but decreasing in its volume contribution to imports. Intra-EU trade represented one third of the value supply (25% by volume or 18 thousand tonnes). This decreased from 44% in value and from 31% in volume in 2004. The French, Italian and Romanian shares of supplies decreased over the period, while the Belgian share increased and the German share was broadly unchanged.

Developing country suppliers represented almost two thirds of all imports by value (73% by volume or 53 thousand tonnes), up from 50% (€ 75 million) in value, and 65% by volume or 35 thousand tonnes in 2004. China (€ 105 million or 42 thousand tonnes) dominated the developing country supply of non-upholstered seating. China's share was up by an annual average of 22% compared with 2004. Of the other developing country suppliers, values from Malaysia and Vietnam increased, but supplies from Indonesia and Thailand decreased.

In terms of product groups, seats with metal frames accounted for 41% of the value of the group (€ 83 million or 32 thousand tonnes); other seats were valued at € 55 million (17 thousand tonnes); seats with wooden frames were valued at € 47 million (18 thousand tonnes) and seats convertible into beds € 16 million (7 thousand tonnes). There was a major move towards metal seats, particularly away from wooden seats. The share of seats convertible into beds increased while the share of other seats remained broadly unchanged.

Dining/living room furniture
Dining/living room furniture was valued at € 201 million in 2008 (279 thousand tonnes). This represented 11% of all domestic furniture imports to Spain (31% by volume). This compared with a share of 14% in 2004 (18% by volume or 96 thousand tonnes). Hence this product group was decreasing in significance in its value but increasing in its volume contribution to imports. Intra-EU trade represented almost half of the value and 80% of the volume supply (225 thousand tonnes). This decreased from 52% in value in 2004, but increased from 46% in volume. The French, Italian and Swedish shares of supplies decreased, while the Portuguese, Danish and German shares increased.

Developing country suppliers represented half of all imports by value (19% by volume or 54 thousand tonnes), up from 47% (€ 100 million) in value but down from 53% by volume or 50 thousand tonnes in 2004. China (€ 46 million or 26 thousand tonnes) was the leading developing country supplier of dining/living room furniture, up an annual average of 12% compared with 2004, while Indonesia's supplies decreased by 28%. Supplies from Brazil, Vietnam and Malaysia increased, while supplies from India, Thailand and Philippines decreased.

Rattan furniture
Rattan furniture was valued at € 49 million in 2008 (22 thousand tonnes). This represented 2.7% of all domestic furniture imports to Spain (2.4% by volume). This compared with a share of 3.1% in 2004 (2.9% by volume or 15 thousand tonnes). Hence this product group was decreasing in significance in its contribution to imports. Intra-EU trade represented less than 20% of the value supply, but 7.6% by volume. The intra-EU share decreased from 33% in value and from 19% in volume in 2004. The share of imports from the leading intra-EU suppliers decreased, apart from Italy and Belgium, which were unchanged.

Developing country suppliers represented over three quarters of all imports by value (83% by volume or 18 thousand tonnes), up from 66% (€ 31 million) in value and from 79% by volume or 12 thousand tonnes in 2004. China (€ 22 million or 13 thousand tonnes) was the leading developing country supplier of rattan furniture, followed by Indonesia. China's supplies increased by an annual average of 34% compared with 2004, while Indonesia's supplies decreased by almost 10% per annum. Supplies from Vietnam and Philippines both decreased.

Rattan furniture represented 79% of this product group (€ 42 million or 20 thousand tonnes), a share which has increased since 2004. Rattan seats represented a diminishing share, now accounting for € 7 million or 2 thousand tonnes.

Other product groups
The value of other product groups not selected were as follows: other furniture* (€ 229 million or 122 thousand tonnes), bedroom furniture (€ 106 million or 152 thousand tonnes) and kitchen furniture (€ 66 million or 19 thousand tonnes).

* excludes other metal and plastic furniture. Note that other wooden furniture increased by an annual average of 10% from € 156 million (14% by volume from 71 thousand tonnes) compared with 2004. 64% of value (65% of volume) was intra-EU and 35% of value (34% of volume) was from developing countries. China (€ 41 million and 22 thousand tonnes), Indonesia (€ 12 million or 6 thousand tonnes) and Vietnam (€ 11 million or 5 thousand tonnes) were the leading DC suppliers. France (€ 81 million or 43 thousand tonnes), Italy (€ 18 million or 4 thousand tonnes) and Germany (€ 10 million or 4 thousand tonnes) were the leading intra-EU suppliers.

Exports

In 2008, Spain exported domestic furniture valued at € 950 million, or 429 thousand tonnes. This represented 5.6% average annual decrease in value, but a 5.2% increase in volume since 2004.

In 2008, Spain was the eleventh largest exporter by value, but the sixth largest by volume. It was close to Romania, Sweden, Austria and Belgium by value. It was close to Lithuania in volume. 67% of Spanish exports by value were intra-EU (89% by volume), the majority of which went to France and Portugal, followed by the UK, Russia, Germany and Italy.

In terms of product groups, furniture parts accounted for 25% by value (€ 241 million or 69 thousand tonnes), up from 19% in 2004. The main destinations were France, Portugal, Germany, Italy and the UK. The next largest group of exports was other furniture, which accounted for 17% of all exports (€ 166 million or 42 thousand tonnes), down from 27% in 2004. France was the main destination.

Upholstered seating represented 14% of all exports (€ 132 million). This was up from 12% in 2004. France and Portugal were again the leading destinations, followed by the UK. Kitchen furniture was the next largest product group of exports at 11% (€ 102 million).

The remaining groups of exports were as follows: dining/living room furniture (€ 102 million), non-upholstered seating (€ 93 million), rattan furniture (€ 64 million), then bedroom furniture (€ 50 million).

Opportunities and threats

+ Spain is an interesting and large market for exporters from developing countries. Spain has a strong domestic furniture industry, but this has faced strong competition recently with more lower priced imports. However, increasingly sophisticated consumers are looking for interesting imported products.
+ The fact that the value share of imports from developing countries is up over the period while the volume share is up by much more indicates there is still downward pressure on prices. This indicates that more opportunities may be found in the mid-lower market segments.
+ There is a mixed performance by the various product groups. Although non-upholstered seating and furniture parts were increasing their value contributions, their volume contributions were down. The greatest increases were experienced by upholstered seating.
- Of the other product groups, fewer opportunities existed for dining/living room and rattan furniture. There has also been fewer opportunities for other furniture.

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 Spain 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 Spain were just above the EU average. In terms of purchasing power, prices in Spain were similar to those in Finland and Greece.

According to Eurostat, furniture retail prices increased by 15.6% between 2004 and 2008, but by 4.1% in 2008, indicating consistently increasing prices over the period. 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 Spain, which was 14.2% higher in 2008 than in 2004. Hence furniture price increases in Spain were well above the EU average but close to the all-price index in Spain.

Consumer prices of various furniture items vary widely, depending on the market segment or type of retailer. Table 4.1 highlights the price differences between similar types of products. It can be seen that for double beds and side tables, prices vary quite significantly between retailers. In a price comparison of the same IKEA products in 18 EU countries, Spain was ranked eighth least expensive. 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 Spain, July 2009

Retailer	Double bed	Side table
Merkamueble	Modelo L2190-9921 € 720	Modello L1003-9827 € 247
IKEA	Aspelund € 129	Stockholm € 199
Conforama	Tatami € 149.90	Borist € 109.90
El Corte Ingles	Karey € 1,689	Skyline € 638

Source: Retailer websites

The website of Spanish National Statistics - http://www.ine.es - publishes information on consumer prices. The Spanish National Bank - http://www.bde.es - also provides some pricing information. More details on the consumer prices provided above can be found at the retailer websites of Merkamueble - http://www.merkamueble.com, IKEA - http://www.ikea.com/es, Conforama - http://www.conforama.es - and El Corte Ingles - http://www.elcorteingles.es.

Import prices

Although the industry does not make price agreements based on tonnage, it is useful to see how import prices compare. Import prices were increasing up to 2006, but since then intra-EU prices have fallen sharply and developing country prices have continued to increase. As Table 4.2 highlights, developing country import prices were higher than intra-EU prices, which may in part by explained by a statistical error, as Spain appears to have very low 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 4.2 Development in Spanish 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	2.87	3.15	1.99	-8.7
Intra-EU	3.32	4.11	1.82	-14.0
Developing countries	2.10	2.32	2.38	3.2

Source: Eurostat (2009)

5 Market access requirements

As a manufacturer in a developing country preparing to access Spain, you should be aware of the market access requirements of your trading partners and the Spanish 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 Spain in the category search, click on the search button and click on market access requirements.

Specific implementation of EU regulations in Spain include:

- Spain has implemented the EU legislation on wood packaging materials by Order No. 431 of 2005, amending Decree No. 58 of 2005 against the introduction or diffusion of harmful organisms in the EU territory via plants or products of vegetal origin. This means that Spanish legislation is line with the EU requirements.
- The EU Liability Directive and its amendment were implemented by the Law on civil liability for damages caused by defective products 22/94 of 6th July 1994. This means that Spanish legislation imposes the same strict liability on producers/importers for harm caused by defective products as the EU legislation.
- Spain has implemented the General Product Safety Directive by Decree 1801 of 26th December 2003, which came into force on 1st October 2005. Therefore, Spanish legislation imposes the same legal requirements for product safety as the EU legislation.

Awareness of environmental labelling on furniture products is relatively low in comparison with other countries in Western and Northern Europe. There is some awareness of both the Forestry Stewardship Council - http://www.fsc.org - and the Programme for the Endorsement of Forest Certification - http://www.pefc.es. This is becoming a more important market issue for domestic furniture. 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 Spain, business people prefer a more personal form of communication, both in the way a presentation is put together, and in the way contact is made.

The Spanish 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 and publicity in trade magazines can sometimes be an effective means of reaching a small target group. The main trade publications for furniture are:

- Infurma - http://www.infurma.es - is an important trade portal, as is http://www.maderaymueble.es.
- Muebles de Espãna - http://www.mueblesdeespana.es.
- El Mobiliario - http://www.elmobiliario.com - is published by Cactus Press.
- El Sector del Mueble y del Madera - http://www.fevama.es - is published by an association based in Valencia.
- El Mueble - http://www.rbaedipresse.es - is a consumer magazine published by RBA Edipresse. It also publishes other home interior titles such as Casa al día.

Trade Fairs

- The International Furniture Exhibition - http://www.mueble-madrid.ifema.es - is now called 360 Interior Home, and takes place in Madrid every March.
- International Habitat Fair - http://www.feriavalencia.com or http://www.ideaspasion.com - in Valencia in September.
- The Furniture Fair in Yecla - http://www.feriayecla.com - takes place in March.
- Zow - http://www.zow.es - is the International Fair for Components and Accessories for Furniture and Interior Design, which takes place in Zaragossa in June.
- Firahogar - http://www.feria-alicante.com - takes place in Elche/Alicante each October.

Trade associations

- The Association of Furniture Manufacturers and Exporters - http://www.anieme.com. A good furniture blog, set up by this association can be found at http://www.noticiashabitat.com.
- The Furniture Retailers Association - http://www.moblescat.com or http://barcelona.aecm.info/. Portalmadera - http://www.aemcm.net/archivos/principal.htm - is published by producers in the Castilla La Mancha region.
- The Federation of Spanish Furniture Organisations - http://www.federmueble.org.
- The Technological Institute for Furniture and Wood - http://www.aidima.es.
- Mueble de Espana - http://www.muebledeespana.com - is an information portal operated by the Spanish Association of Furniture Manufacturers.
- The Spanish Wood Confederation - http://www.confemadera.es.

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