CBI MARKET SURVEY

THE DOMESTIC FURNITURE MARKET IN PORTUGAL

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Introduction
This CBI market survey gives information on some main developments in the domestic furniture market in Portugal. 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 Portugal was valued at € 1.2 billion in 2008 in terms of retail sales. This represented € 115 per capita, which was below the EU average of € 161. Portugal ranked fourteenth largest in the EU in terms of sales. This was close to a cluster of other countries including Greece, Poland, Finland and Denmark.

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

2004	2005	2006	2007	2008	Average ann. % change	Population (million)	per capita in €	Occupants per household	Households (thousand)
1,219	1,228	1,250	1,287	1,223	0.1	10.6	115	2.8	3,730

Source: Euromonitor, Trade Estimates (2009)

The average annual growth rate of 0.1% between 2004 and 2008 was the lowest in the EU, with the exception of Germany and Italy, and below the EU average of 1.1%. The Portuguese economy experienced a short period of growth in 2006 and 2007, but the furniture market contracted sharply in 2008. Consumer confidence disappeared in the wake of the global economic slowdown. This in turn resulted in consumers only spending on essential items.

Trends in consumption
Home ownership has become popular and more young people have been setting up their own homes rather than staying longer with their parents. This has increased the demand for more contemporary styles of furniture, in preference to the more traditional styles that have been popular until recently.

Detached housing has grown fastest in the last decade, while the number of apartments has fallen. This has implications for furniture styles that are required in these types of homes. However, the housing boom has now ended and consumers are not investing in new furniture at the moment.

The arrival of large international furniture retailers has given Portuguese consumers greater choice. This has coincided with a desire to bring more comfort and well-being into homes in terms of how they are furnished and decorated. Design and style are becoming more important than function. As a result, consumers are becoming more informed and more demanding about their choice of furniture purchases.

The growing purchasing power of young single women has had an impact on furniture retailers. Store environments are being redesigned to appeal to this market segment. Many young women now live independently and are buying furniture for themselves, whereas previously furniture purchasing used to be a joint decision, or one that was made by men.

Consumption by product group

In terms of the respective product groups, dining and living room furniture represented the largest group (28%), followed by upholstered seating (24%); kitchen furniture (17%); other furniture (16%) and bedroom furniture (15%). The main change was an increase in upholstered seating.

Market outlook

The furniture market will also contract in 2009. Portugal is still in the midst of a deep recession. Unemployment is high and consequently consumer spending is still very depressed. The overall economy is unlikely to recover before 2010 as the global economy starts to improve. However, it may be 2011 before sales of furniture pick up strongly.

Production

The furniture industry in Portugal is fragmented, although it represents an important employment sector in the country. Portuguese domestic furniture production was valued at € 843 million in 2008. This represented a significant 12% decrease over 2007 and an average annual decrease of 3.4% since 2004, compared to the EU27 average increase of 0.9%. The collapse in production was largely as a result of a loss of export markets as the global economic downturn took its toll.

Portugal is a medium-sized producer, now similar in value to Greece, Slovenia and Hungary, but it should be noted that just five years ago, the Portuguese industry was 50% larger than the Hungarian industry. This is one important indicator of how the structure of the EU industry is changing.

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

2004	2005	2006	2007	2008	Average ann.% change	Number of companies 2006	Number of employees 2006
969	991	968	953	843	-3.4	6,832	39,734

Source: National Statistics, Eurostat (2009)

In the last ten years the number of companies operating in the industry has fallen by half and employment has also also reduced significantly. The industry has been slow to respond to competition from imports and has relied too much on its domestic market. The industry, which is primarily located in the north of the country, is struggling to adapt to the globalised market conditions.

According to Eurostat, domestic furniture production segmentation in 2008 was as follows: dining and living room furniture 30%; bedroom furniture 28%; kitchen furniture 23%; furniture parts 10%; other furniture 4%; non-upholstered seating 3% and rattan furniture 1%. Eurostat does not provide information on upholstered seating, but in 2005 this represented 6% of production.

The biggest change has been a significant drop in the proportion of furniture parts, perhaps indicative that Portugal is no longer a principle choice as component supplier for some of the larger manufacturers elsewhere in Europe.

Some interesting manufacturers in Portugal include:

- ALEAL - http://www.aleal.pt - was founded 25 years ago and produces both contemporary and classic furniture for the domestic and international markets.
- Antonino Maia Costa - http://www.antonino.pt - located in Carvalhosa, is a manufacturer of living room furniture, especially sofas.

- Estilo Moveis - http://www.estilomoveis.pt - located in Olival Basto, was established in 1977. This company designs and produces different styles of furniture, including rustic, contemporary and modern furniture.
- Opostos - http://www.opostos.com - produces modern furniture for younger consumers in the best traditions of Portuguese design.

More producers can be found at the website of the Portuguese Furniture Association - http://www.apima.pt.

Trends in production

The industry is focusing on innovation and product differentiation as its strategy for survival. This is also combined with a realisation that products now have a shorter life cycle and new products need to be introduced much more frequently.

Opportunities and threats

+ Portuguese consumers have traditionally been loyal to domestic manufacturers, but they have seen modern designs from other countries and new styles entering the domestic market. Hence, they will appreciate being exposed to new designs from interesting overseas suppliers.
+ The proportion of imports on the domestic market is lower than the EU average. This can only increase as Portuguese consumers increasingly feel part of Europe. Their geographic position on the edge of the continent has previously made them look outwards, rather than inwards to Europe.
+ Portuguese manufacturers have experienced difficulties in succeeding in export markets. They may be interested in forming partnerships with DC exporters that are able to assist them in terms of lower production costs or providing new design expertise.
- The Portuguese market is currently contracting. Consumers are not buying furniture at the moment. However, when the recession comes to an end, new market opportunities will once again be forthcoming.

Many exporters will also be viewing the opportunities available on the Portuguese 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 furniture market in Portugal is fragmented. The market is dominated by small specialist independent retailers, which buy from a range of different participants, including wholesalers, importers, manufacturers, agents and buying groups. Although the trade structure is changing as more specialist chains are formed and more international retailers enter the market, the process of change has been slower in Portugal than in many other western EU countries.

Exporters from developing countries would be advised to locate wholesalers and importers as the best means of entering the Portuguese market. Furniture agents are less important, but like many wholesalers and importers, they often operate on a regional basis.

Interesting wholesalers and importers include:

- Interescritorio - http://www.interescritorio.pt - located in Lisbon, deals with home and office furniture. It sell tables, chairs and beds.
- Bebecar - http://www.bebecar.com - located in Caldas S. Jorge, is a furniture wholesaler, especially for babies and children.
- Hexagono - http://www.hexagono.biz - located in Lisbon, wholesales design furniture including non-upholstered chairs, coffee tables and chairs made from wood and leather.

Retail trade
Shopping centres and larger retailers were originally concentrated in the Lisbon and Porto areas, but they are now more widely spread around the country. According to market research specialist Mintel, there were 12,954 furniture and lighting retail outlets in 2006.

Leading specialist retailers include Moviflor - http://www.moviflor.pt - with 24 outlets, IKEA - http://www.ikea.com/pt - with two outlets, Cerne - http://www.cerne.pt - with 30 outlets, the French-owned Conforama - http://www.conforama.pt - with six outlets, and KA International - http://www.ka-international.com - with 15 outlets.

The non-specialist sector represents a small but growing share of furniture sales, led by the DIY chain AKI/Bricodis - http://www.aki.pt - and Bricomarché. Department stores are not a large sector, although El Corte Ingles – http://www.elcorteingles.pt - has a presence in Portugal. There are also many hypermarkets, some of which sell furniture. Mail order is also a channel for furniture and Internet sales of furniture are also increasing. La Redoute - http://www.laredoute.pt - sells furniture.

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 21%. Wholesale margins are much lower. With competitively priced imports, their margins have been coming down in recent years. 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 can be found at http://www.portugaloffer.com. Business contacts can be found at the Chamber of Commerce and Industry - http://www.port-chambers.com.

3 Trade: imports and exports

Imports
In 2008, Portuguese imports of domestic furniture were valued at € 455 million, or 155 thousand tonnes. Out of the 27 EU countries, Portugal was ranked fourteenth largest in value and volume, and as such was regarded as a medium-sized country for domestic furniture imports. This was similar in value to a cluster of countries including Greece, Slovenia and Slovakia, and similar in volume to Romania and Finland.

Between 2004 and 2008, Portuguese imports increased by an average of 2.9% per annum in value (from € 403 million) but decreased by 8.9% in volume (from 225 thousand tonnes). Spain and France, followed by Germany and Italy were the major sources of imports.

Exports were 50% higher than the value of imports, but imports were 70% higher than the volume of exports in 2008. Imports were increasing in value while exports were decreasing, but import volumes were decreasing while export volumes were increasing. The same period has seen a decrease in domestic furniture production and no increase in consumption. Imports were taking a growing market share despite the large domestic industry, although Portugal has one of the lowest levels of imports from developing countries.

By source, around 6% of Portuguese imports, valued at € 27 million or 13 thousand tonnes, came from developing countries in 2008 (8% by volume). This proportion was 5.7% in 2004 (4.1% by volume). China accounted for 50% of all developing country supplies by value in 2008, followed by Vietnam (14%) and Indonesia (12%). Brazil, Turkey and Malaysia were also important suppliers. While China's supplies increased by an annual average of 2.6% since 2004, supplies from Vietnam increased by 18%. Supplies from all other leading developing country suppliers increased, with the exception of India, which decreased.

By product group, Portuguese imports by value were sub-divided as follows:
- The leading two groups were furniture parts with 43% of value and 32% of volume (€ 194 million or 49 thousand tonnes) and other furniture with 15% of value and 23% of volume (€ 66 million or 36 thousand tonnes).
- Non-upholstered seating represented 10% of value and 9% of volume (€ 47 million or 14 thousand tonnes) and upholstered seating accounted for 10% of value and 7% of volume (€ 47 million or 11 thousand tonnes).
- The remainder was taken up as follows: bedroom furniture (€ 34 million), dining/living room furniture (€ 32 million), kitchen furniture (€ 23 million) and rattan furniture (€ 11 million).

Exports
Domestic furniture exports from Portugal were valued at € 684 million in 2008, representing 91 thousand tonnes. 58% of this was furniture parts. Two thirds of Portuguese exports went to Spain and France. Between 2004 and 2008, the average annual decrease in exports was 0.7% by value but volume increased by 1%. There may be some re-exporting from Portugal. The high proportion of furniture parts also suggests that the Portuguese market was largely 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 and non-upholstered seating. There is a strong domestic industry in furniture parts, but both have seen impressive DC growth in recent years.
\+ Other notable opportunities are in items for bedroom furniture, which also has some domestic production, as well as rattan furniture and upholstered furniture to a lesser extent.
\- Recent decreases in kitchen and dining/living room furniture imports suggests opportunities are limited in these areas. Imports of other furniture decreased, although detailed figures were not available.
\- Portugal 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
Consumer prices of domestic furniture in Portugal were close to the European average. In terms of purchasing power, prices in Portugal were similar to prices in France, Sweden and Belgium.

According to Eurostat, furniture retail prices increased by 6.8% between 2004 and 2008, but by 0.6% in 2008, indicating a reduction in the rate of price increases. 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 Portugal, which was 10.4% higher in 2008 than in 2004. Hence furniture price increases in Portugal were close to the EU average but below the all-price index in Portugal.

Import prices

Although the industry does not make price agreements based on tonnage, it is useful to see how import prices compare. There is an upward trend in import prices. As Table 4.1 highlights, developing country import prices were below the EU average. However, intra-EU import prices to Portugal were increasing strongly. 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 Portuguese 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	1.80	2.92	2.94	13.0
Intra-EU	1.76	2.98	3.0	14.3
Developing countries	2.49	2.15	2.16	-3.5

Source: Eurostat (2009)

The website of Portuguese National Statistics - http://www.ine.pt - publishes harmonised price indices. Retail prices of furniture can be found at leading retailers Moviflor - http://www.moviflor.pt, Conforama - http://www.conforama.pt - and IKEA - http://www.ikea.com/pt. In a price comparison of the same IKEA products in 18 EU countries, Portugal ranked tenth highest. See Chapter 5 of the CBI survey 'The domestic furniture market in the EU' for more details.

5 Market access requirements

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

- The Portuguese Furniture Industry Association - http://www.apima.pt.
- The Association of Wood and Furniture Industries - http://www.aimmp.pt.

- Intercasa - http://www.intercasa.fil.pt - takes place in Lisbon in October. Export Home - http://www.exporthome.exponor.pt - takes place in Porto in March, followed later in the month by the consumer show InHouse - http://www.inhouse.exponor.pt.
- The Association of Furniture Retailers - http://www.apcmobiliario.com - publishes a newsletter and the principle furniture trade publication, called Mobiliario em Noticia - http://www.mobiliarioemnoticia.pt. Attitude - http://www.attitude-mag.com - is a Portuguese Interior Design magazine.
- Information on the Portuguese furniture industry can also be found at http://www.portugaloffer.com. The Portuguese Business Association - http://www.aeportugal.pt - is a useful contact.

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