## CBI MARKET SURVEY

# THE DOMESTIC FURNITURE MARKET IN SLOVAKIA

**Publication date: October 2009**

## Introduction
This CBI market survey gives information on some main developments in the domestic furniture market in Slovakia. 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 Slovakia was valued at € 212 million in 2008 in terms of retail sales. This represented € 39 per capita, which was one of the lowest in the EU and less than one quarter of the EU average of € 161. Slovakia ranked eighth smallest in the EU in terms of sales. This was close to the size of the Slovenian market, despite the population being almost three times bigger.

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

| 2004 | 2005 | 2006 | 2007 | 2008 | Average ann. % change | Population (million) | per capita in € | Occupants per household | Households (thousand) |
|---|---|---|---|---|---|---|---|---|---|
| 175 | 183 | 190 | 200 | 212 | 4.9 | 5.4 | 39 | 2.8 | 2,045 |

Source: Euromonitor, Verdict, Trade estimates (2009)

The average annual growth of 4.9% between 2004 and 2008 was well above the EU average of 1.1%. The market continued to grow in 2008, fuelled primarily by real wage growth and increases in average purchasing power. The Slovak economy has been stronger than many of its neighbours and in a better position to withstand the effects of the global economic slowdown. Nevertheless, there has been a slight slowdown in spending on furniture.

### *Consumer trends*
According to a survey by market research specialist Gfk in May 2009, less than half of Slovak consumers were planning to invest in making their homes more comfortable in the next 12 months. Stagnation in the housing market means that very few people are planning to replace their homes. There is a shortage of homes in Slovakia and new house building has not kept up with demand. As a result of the financial crisis, the number of 'homebodies' who prefer spending their leisure time at home is on the increase.

Slovaks are conservative when it comes to furnishing and designing their homes. White is the most frequent colour dominating home interiors. The next most popular colours are yellow, orange and beige/cream. This will have implications for the type and design of furniture that will fit in with these colours.

For those that cannot afford to move or buy their own home, the latest trend is to make one's own home as pleasant and comfortable as possible for all family members and altering them to the owner's ideas. This suggests an increase in demand for more individualised furniture. For most people, repainting the interior or exterior is the priority. 8% of all households are planning to replace their home textiles but less than 8% are planning to buy new furniture.

In terms of where people get their inspiration for improving their homes, 56% say they get it from home interest magazines, 42% say they get their ideas from other people's homes, 30% get their inspiration from TV, while 28% say furniture stores, 25% say catalogues, 17% say the Internet and 7% say exhibitions.

### *Consumption by product group*
In terms of the respective product groups, dining and living room furniture represented the largest group (27%), followed by upholstered seating (24%); kitchen furniture (17%); bedroom furniture (17%) and other furniture (15%).

### *Market outlook*
The market will undoubtedly slow down in 2009, but it may still register small growth. Some consumers have traded down to lower priced furniture items and many retailers have been offering heavy discounts to maintain sales levels. There is still considerable scope for growth in this market and stronger growth levels are likely to return in 2010.

## Production
Slovakia is well stocked with good forests, so there is an abundant supply of raw materials. The furniture industry in Slovakia is well established and has grown along with other Eastern European neighbours as Western European countries have outsourced to or invested in the Slovak furniture industry. This is highlighted by the fact that approximately three quarters of all production is exported.

Slovak domestic furniture production was valued at € 693 million in 2008. This represented an average annual increase of 4% since 2004, compared to the EU27 average increase of 0.9%. However, after a strong performance in 2007, the value of production shrank considerably in 2008 as export markets dried up with the onset of the global economic slowdown.

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

| 2004 | 2005 | 2006 | 2007 | 2008 | Average ann.% change | Number of companies 2006 | Number of employees 2006 |
|---|---|---|---|---|---|---|---|
| 593 | 622 | 656 | 787 | 693 | 4.0 | 281 | 13,385 |

Source: Eurostat, National Statistics (2009)

The financial crisis has had a significant impact on the forestry industry in Slovakia. The volume of timber was cut by 40% and the price of wood fell by 24% in 2008. 60% of the sawmill industry is used in the manufacture of furniture. Many small companies are struggling and some have introduced shorter working weeks or reduced their employment levels.

According to Eurostat, domestic furniture production segmentation in 2008 was as follows: furniture parts 52%; dining and living room furniture 23%; bedroom furniture 11%; other furniture 10%; kitchen furniture 3% and non-upholstered seating 1%. There is also production of upholstered seating in Slovakia, which is not recorded by Eurostat. This accounted for 17% of production in 2005.

***Some interesting manufacturers*** in Slovakia include:
- Domeko - http://www.domeko.sk - has been producing a wide range of chairs in the Tatra area since 2002.
- Molitex - http://www.molitex.sk - has been producing beds, leather and fabric sofas and sofa beds since 1995.
- AGM - http://www.agm.sk - located in Galanta, manufactures upholstered furniture such as sofas and chairs. This company was established in 1999.
- Brik - http://www.brik.sk - located in Kremnica, is a designer and producer of design furniture. This company was created in 1992. It supplies living and dining room furniture including sofas, bookcases, coffee tables and chairs.

More producers can be found at the Slovak Wood Association - http://www.zsdsr.sk.

***Trends in production***

As part of a recovery programme, the industry is developing a sustainability strategy to ensure that all renewable resources such as wood are properly used and recycled.

**Opportunities and threats**

+ Consumers are looking for new styles and designs that are not produced by the more traditional local manufacturers. Exporters from developing countries can take advantage of this trend.
+ Domestic manufacturers are interested in talking to producers from other countries that may be able to help them become more internationally competitive. Despite many of them now being export-focused, they are also keen to add new designs to their ranges to maintain their presence in the domestic market. They acknowledge that including products from other countries can enhance their own reputation.
- Slovaks are not planning to invest in their homes in the near future as a result of the drop in consumer confidence. This will provide fewer opportunities in the short term, but in the longer term more opportunities should be forthcoming.

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

Foreign investment in the retail trade has resulted in the concentration of the furniture sector. However, small specialist independent retailers still dominate the market, particularly in the smaller towns and in the east of the country.

Some wholesalers act as retailers, while some retailers also act as importers. Some wholesalers from the Czech Republic continue to supply Slovakia. Exporters from developing countries should seek out suitable wholesalers and importers to channel their products to the independent retail sector. Agents are uncommon in the furniture trade.

***Interesting wholesalers and importers*** include:

- PMJ - http://www.pmj.sk - is an import/export company involved in the furniture trade. It handles exports for Slovak producers and can also help importers.
- Meuble - http://www.meuble.sk - supplies a wide range of furniture items to the Slovak market.
- Novobyt - http://www.novobyt.sk - located in Bardejov, is a wholesaler of rustic, classic, colonial and modern wooden furniture. It sells kitchen, dining and living room furniture and has a catalogue online.
- Interbyt - http://www.interbyt.sk - has two showrooms and imports both domestic and office furniture.

***Retail trade***

According to Eurostat, there were 729 outlets selling furniture and household goods in 2006, up from 461 in 2003. IKEA - http://www.ikea.com/sk - is the market leader with its single store in Bratislava, but there are a number of local specialist chains, some of which are also manufacturers. These include Nabytok Bodnar - http://www.nabytokbodnar.sk - with four of its own outlets and a further 100+ dealers, emphasising furniture for young people, especially children and students, Decodom - http://www.decodom.sk - with 30 outlets, and Tempo Kondela - http://www.tempo-kondela.sk - that now has 29 outlets, specialising in more traditional and conservative styles of domestic furniture.

Other foreign specialists include the Austrian Kika - http://www.kika.sk - with two outlets, the German buying group Europa Möbel - http://www.europamobel.sk - and Danish retailer Jysk - http://www.jysk.sk – with eight outlets.

There are also an increasing number of non-specialist outlets selling limited ranges of furniture. These include Tesco with its five outlets, as well as Carrefour, Billa, Hypernova and Jednota. BauMax is a leading DIY chain. Internet usage in Slovakia is increasing strongly and this will become an important channel.

***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 19%. 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 Slovak Chamber of Commerce - http://www.sopk.sk - or at http://www.doingbusiness.sk.

## 3 Trade: imports and exports

### Imports

In 2008, Slovak imports of domestic furniture were valued at € 441 million, or 110 thousand tonnes. Out of the 27 EU countries, Slovakia was ranked sixteenth largest in value and eighteenth 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, Finland and Slovenia, and similar in volume to Finland, Ireland and Hungary.

Between 2004 and 2008, Slovak imports increased by an average of 9.1% per annum in value (from € 311 million) and by 8.2% in volume (from 80 thousand tonnes). Poland, Slovenia, the Czech Republic and Germany were the major sources of intra-EU imports.

Export vallues were 50% higher than imports, but exports exceeded imports by three times in volume in 2008. Exports were increasing more quickly than imports. The same period has seen an increase in domestic furniture production and an above average annual increase in consumption. Imports are taking an increasing share of the market, despite the large domestic production.

***By source,*** around 5% of Slovak imports, valued at € 21 million or 11 thousand tonnes, came from developing countries in 2008 (10% by volume). This proportion was 2.3% in 2004 (3.7% by volume). China accounted for 60% of all developing country supplies by value in 2008, followed by Malaysia (11%) and Turkey (8%). Indonesia, Vietnam, Croatia and Ukraine were also important suppliers. While China's supplies increased by an annual average of 48% over the period, supplies from Malaysia increased by 55%. Supplies from the leading developing country suppliers increased, with the exception of Bosnia-Herzegovina, which decreased.

***By product group***, Slovak imports by value were sub-divided as follows:
- The leading two groups were furniture parts with 61% of value and 41% of volume (€ 271 million or 45 thousand tonnes) and other furniture with 10% of value and 15% of volume (€ 46 million or 17 thousand tonnes).
- Upholstered seating represented 9% of value and 10% of volume (€ 38 million or 11 thousand tonnes) and dining/living room furniture accounted for 7% of value and 13% of volume (€ 33 million or 14 thousand tonnes).
- The remainder was taken up as follows: bedroom furniture (€ 18 million), non-upholstered seating (€ 18 million), kitchen furniture (€ 12 million) and rattan furniture (€ 4 million).

**Exports**

Domestic furniture exports from Slovakia were valued at € 665 million in 2008, representing 336 thousand tonnes. One third of this was furniture parts. Germany was the dominant export destination, followed by the Czech Republic and the UK. Between 2004 and 2008, the average annual increase in exports was 11% by value and 8.5% by volume. There may be some re-exporting from the Slovak market, as exports were close to registered domestic production. The high proportion of furniture parts also suggests that the Slovak market was also 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. There is a strong domestic industry in furniture parts especially, although import growth rates have not been as strong as some other groups.
+ Other notable opportunities are in items for bedroom furniture, as well as both non-upholsterd and upholstered seating.
- Rattan furniture, dining/living room and kitchen furniture have not grown along with the average growth of imports. Other furniture also appears to have performed below the average, although detailed figures were not available.
- Slovakia 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 Slovakia were well below the European average. In terms of purchasing power, prices in Slovakia were similar to prices in Estonia, Hungary and the Czech Republic.

According to Eurostat, furniture retail prices decreased by 8.1% between 2004 and 2008, but increased by 1% in 2008, indicating rising prices after a period of falling prices. 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 Slovakia, which was 13.1% higher in 2008 than in 2004. Hence furniture prices in Slovakia were decreasing while EU average prices were increasing and while the all-price index in Slovakia was increasing.

***Import prices***

Although the industry does not make price agreements based on tonnage, it is useful to see how import prices compare. There is a downward trend in developing country import prices since 2004. As Table 4.1 highlights, import prices from other sources were also decreasing from 2006. However, intra-EU import prices to Slovakia were above the EU average, and the differential with developing country import prices was wide. 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 Slovak average import values/prices, 2004 – 2008, €**

| | 2004<br>ave price per '000 tonnes | 2006<br>ave price per '000 tonnes | 2008<br>ave price per '000 tonnes | ave. Annual % change |
|---|---|---|---|---|
| Total imports | 3.87 | 4.75 | 4.01 | 0.9 |
| Intra-EU | 3.99 | 5.01 | 4.28 | 1.8 |
| Developing countries | 2.40 | 1.91 | 1.84 | -6.4 |

Source: Eurostat (2009)

The website of Slovak National Statistics - http://www.statistics.sk - publishes harmonised price indices. Retail prices of furniture can be found at IKEA - http://www.ikea.com/sk - and Tempo Kondela - http://www.tempo-kondela.sk. Prices can also be found on the website of the manufacturer Hollex - http://www.hollex.sk. In a price comparison of the same IKEA products in 18 EU countries, Slovakia was ranked eleventh 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 Slovakia, you should be aware of the market access requirements of your trading partners and the Slovak government.
For information on legislative and non-legislative requirements, go to 'Search CBI database' at http://www.cbi.eu/marketinfo, select domestic furniture and Slovakia 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 Slovakia, visit the following websites:

- The Association of Slovak Wood Processing Manufacturers - http://www.zsdsr.sk.
- The Furniture and Living Fair - http://www.agrokomplex.sk - takes place each March in Nitra. Moddom - http://www.incheba.sk - is the International Exhibition of Interior Furnishings, Household Equipment & Design, which takes place in Bratislava in September.
- The furniture trade magazine Stolarsky - http://www.stolmag.com - is published in the Czech Republic, but there is a Slovak edition.
- Incoma - http://www.incoma.sk - is a market research consultancy, which has information on the Slovak market. This is a sister company to the larger Czech company.
- GfK's Slovak website - http://www.gfk.sk - also has market information. A local research company is http://www.markantonline.sk.

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