



CBI Trade Statistics for Home Decoration

'Broadcasting your trade statistics'

The European market for Home Decoration products is slowly recovering from the economic crisis. Consumers are still cautious about spending money on products for the home and this has an effect on consumption. However, growing consumer confidence holds promise for the future and offers opportunities for producers, including those in developing countries (DCs). Both production and imports are stabilising after the economic crisis, with exports showing an increase.

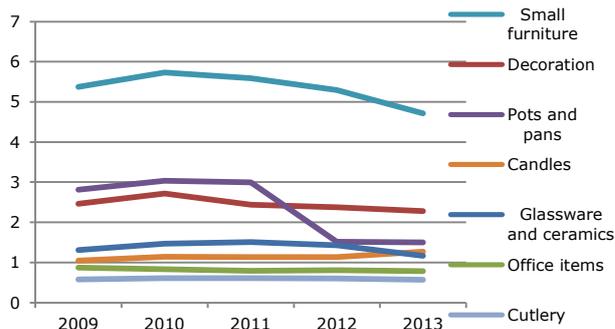
Consumption

As economic conditions are improving, consumption is expected to pick up again in the coming years. After the economic crisis, economic indicators are forecasting improvements in 2014. This is a positive development, however, caution is advised as consumer confidence is still fragile and there are variations between countries as explained below.

(!) Apparent consumption is calculated as Production + Imports - Exports

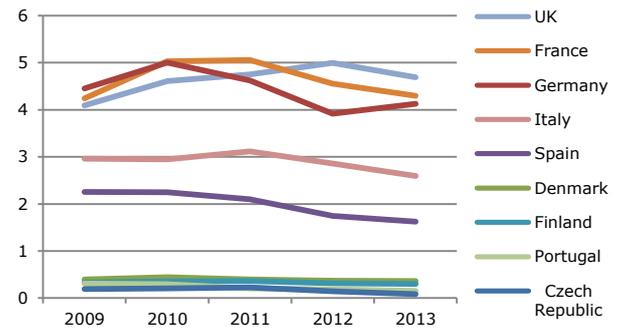
(!!) Please note that, for several European countries and product groups within Home Decoration, production data is unavailable or incomplete. Therefore, consumption data are included for the following product groups: small furniture, decoration, pots and pans, glassware and ceramics, cutlery, office items and candles. The following countries are included in consumption and production: the UK, France, Germany, Italy, Spain, Denmark, Finland, Portugal, the Czech Republic and Poland.

Figure 1: EU/EFTA apparent consumption of selected home decoration products, value in € thousand million*



* Excluding data on pots, pans and cutlery from Poland in 2013
Source: Eurostat Prodcop (2014)

Figure 2: Leading EU/EFTA markets of selected home decoration products, value in € thousand million*



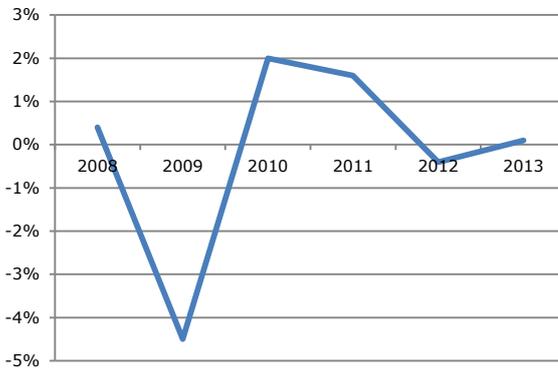
* Excluding data on Poland as production data in 2013 is unavailable for pots, pans and cutlery
Source: Eurostat Prodcop (2014)

- Apparent consumption of the selected product groups at 4% annually from 2009 to 2013. After an increase in apparent consumption in 2010 and 2011, this decreased in 2012 to levels below 2009, and continued to decrease into 2013.

Economic conditions affect home decoration sector

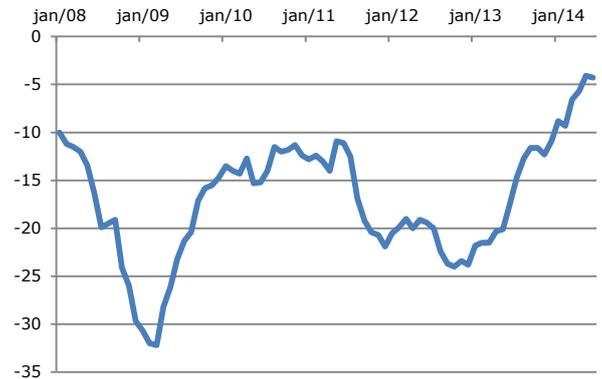
- The home decoration sector is closely linked to economic conditions; as soon as incomes decline, people start cutting back expenditure on non or less essential products, including home articles. Consumers will also postpone replacing items in the home when money is tight.
- Small furniture is the largest product group in this selection of product groups. Its consumption was relatively stable from 2009 to 2013, decreasing by only 3% annually (Figure 1). Pots and pans experienced highest decline at annually -15%, respectively.

Figure 3: GDP growth, % change on previous year



Source: Eurostat (2014)

Figure 4: Consumer confidence indicator, EU27, Jan 2008-June 2014



Source: Eurostat (2014)

Good GDP prospects in Eastern Europe

- The dip in apparent consumption in 2012 is confirmed by a negative GDP¹ growth and the consumer confidence indicator (figures 4 and 5). After a decline in 2009, GDP and consumer confidence recovered, followed by another dip in 2012. However, in 2013 GDP and consumer confidence have risen and GDP forecasts for 2014 are positive. This indicates that demand for home decoration is expected to increase in the near future.
- In the coming 2 to 3 years, the market is expected to pick up again, especially in the growth markets in Eastern Europe. These markets form a promising target market for DC exporters in the future, as they are expected to increase consumption at a higher rate than in Western Europe. The purchasing power of East Europeans is expected to converge with Western standards, enabling them to spend more on non-essential items for the home.
- Industry sources confirm this development in their business operations. They point towards an increased growth in Eastern Europe.

Favourable developments, thanks to baby boom generation

- Another favourable development which could boost the home decoration market in the coming years comes from older generations. They are currently retiring and their children are living independently. As a result, they start looking for 'new' lifestyles in new or redecorated houses.

¹ GDP is commonly used as an indicator of the economic health of a country, as well as to determine a country's standard of living.

Politics affects home decoration sector

- Politics will also have an impact on the long-term market situation in Europe. Recovering from the Euro crisis is heavily dependent on politics, which positively affects the future of home decoration consumption as it brings stability to Europe. Here, stabilising the housing market and ending high (youth) unemployment is of particular importance. Currently, various governments still focus on austerity, which may have a negative impact on consumer spending. Political intervention in the housing market to stimulate home sales can also have a substantial positive influence on the demand for home products.

CFA²: As an export business, make sure you follow the macro-economic indicators of the countries you want to enter. Useful indicators that can influence the home decoration industry include GDP and consumer confidence. The combination of these indicators may assist you in making the right decisions in your business and marketing planning.

CFA: Be aware that countries with longer-term negative trends in GDP could be a reflection of weak markets for home decoration too. On the other hand, countries with long-term positive trends in GDP are stronger markets for home decoration products.

CFA: Consider targeting countries which have a high positive consumer confidence indicator (e.g. Sweden, Denmark and Finland) or growing consumer confidence indicator, such as Ireland and the UK (Eurostat, 2014).

CFA: For an overview of European economic forecasts, including estimated GDP growth in 2014 and 2015, please refer to the information on [Economic and Financial Affairs](#) published by the European Commission.

CFA: Be aware that countries are different from markets. Within a country, the home decoration market may consist of several market segments (high, middle, low). A particular market segment may behave similarly across several countries, and even across mature and emerging markets. Consider targeting European emerging countries (Eastern Europe), where market growth is expected in the coming years. In home decoration, these are usually mid- to lower-end markets. Please refer to [CBI Market Channels and Segments for Home Decoration](#) for more information.

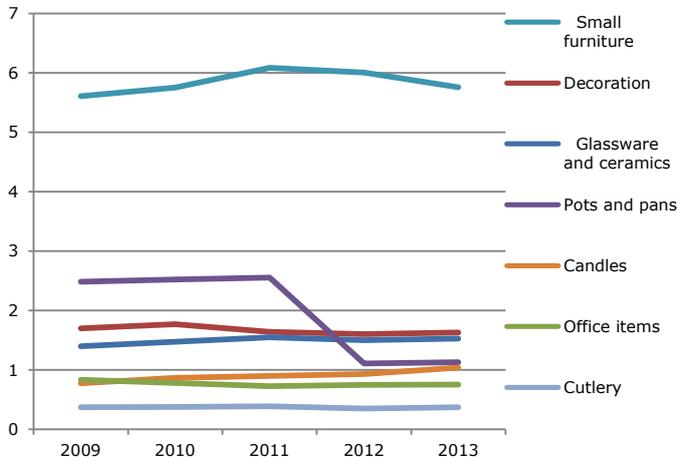
Production

European production has stabilised as countries are recovering from the economic crisis, though it is still below production levels in 2009. Decreased production is also caused by the long-term outsourcing trend to the Far East. This is expected to continue, but outsourcing is forecasted to increasingly include Eastern Europe. Both influences are forming a threat to DC producers.

(!) Please note that, for several European countries and product groups within Home Decoration, production data are unavailable or incomplete. Therefore, production data are included for the following product groups: small furniture, decoration, pots and pans, glassware and ceramics, cutlery, office items and candles. The following countries are included in consumption and production: the UK, France, Germany, Italy, Spain, Denmark, Finland, Portugal, the Czech Republic and Poland.

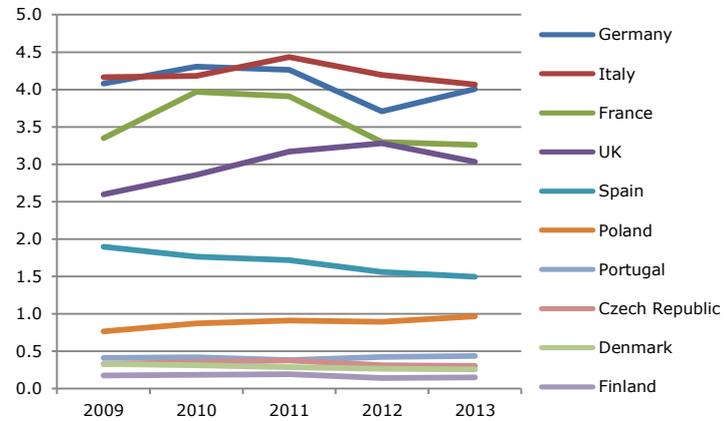
² Consideration for action

Figure 5: EU/EFTA production of selected home decoration, value in € thousand million*



* Excluding data from Poland in 2013 on pots and pans, and cutlery
 Source: Eurostat Prodcop (2014)

Figure 6: Leading EU/EFTA producers of selected home decoration, value in € thousand million



* Excluding data from Poland in 2013 on pots and pans, and cutlery
 Source: Eurostat Prodcop (2014)

Selected home products witnessed a decrease

- Production of the product groups included in this analysis, for the countries included, was stable from 2009 to 2013. In this time frame, it decreased by 0.2%, with the largest declines occurring in 2011 and 2012.
- Production of candles witnessed annual growth rates of and 7.6%. European production of pots and pans and office items experienced the largest decline from 2009 to 2013.
- There is a long-term trend of outsourcing of Home Decoration products, which has resulted in overall lower European production. Production is outsourced to lower-income countries, such as those in the Far East, especially China for mass production. Custom-made products with smaller inventories are increasingly difficult for Chinese producers but importers want lower stocks per product in order to reduce risks and improve flexibility in the market. Therefore, they are moving away from China, for example towards Vietnam.

Production in Eastern Europe is increasing

- Alternatively, in recent years European producers are moving their outsourced production back to Europe, to areas such as Eastern Europe, where, labour costs are still relatively low and control over production and volumes is higher. When compared to Asia, emissions and costs of transportation are lower, which is beneficial in terms of sustainability as well. Flexibility in terms of design and service levels is better in these countries as well, because they are closer to home. Production in East-European countries (Poland and the Czech Republic) increased from 2009 to 2013 and could form a future threat to DC producers.
- Some production centres, with a long history and which produce high-quality, traditional, well-known premium brands, will keep at least a part of their production in Western Europe. Examples include ceramics in the UK, France, Germany and Portugal or glassware in Bohemia. This type of production is not likely to be outsourced.

CFA: Monitor production developments in China as well as in Eastern Europe, as these areas pose current and potential future threats. Check competitors in these regions, both at trade fairs and online.

CFA: Differentiate yourself from European and Chinese competitors by offering a unique product, based on unique materials and techniques, with cultural influences or new values (e.g. sustainability) that are well communicated to help EU buyers tell a new and attractive story. Position your products well: certain EU market segments are 'less crowded' than others (e.g. handmade or sustainable segments).

CFA: Invest in cost-saving measures in production and shipment, to overcome any cost advantages that EU or Asian competitors may have.

CFA: Combine hand-made and industrial processes in your country to balance a sense of uniqueness in design with the possibility to upscale your production to target a wider range of markets.

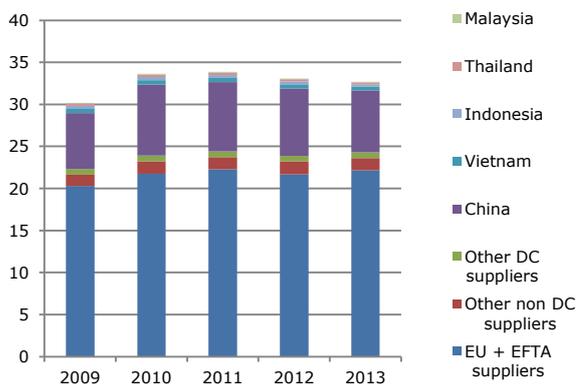
CFA: Know that the labour-intensity of this sector provides opportunities in terms of replacing European production. This is thanks to competitive advantages related to labour costs.

CFA: Create long-term relationships with your buyers, which can help you to make your product more suitable for the European market and less prone to substitution.

Imports

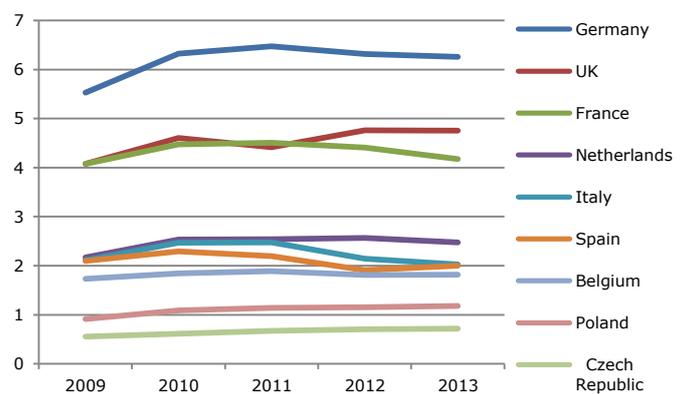
The economic crisis caused a dip in the imports of home decoration in 2009, but this has recovered in line with economic developments. Currently, most opportunities can be found in the value-added segment.

Figure 7: Main DC suppliers to EU/EFTA of home decoration, value in € thousand million*

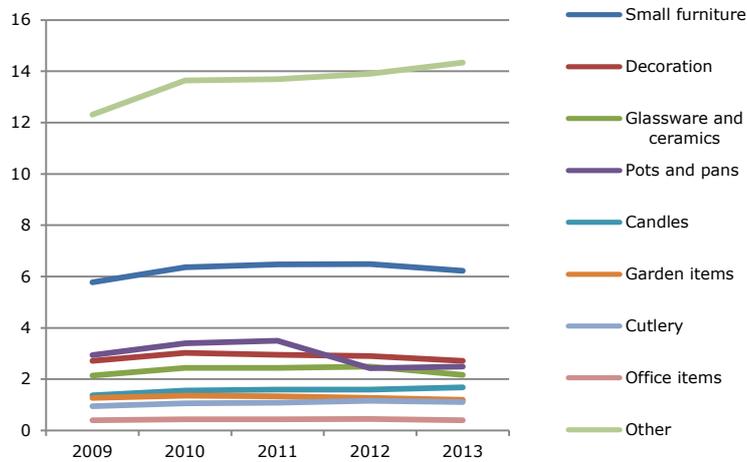


* Excludes data on Switzerland and table cloths & napkins
Source: Eurostat Prodcop (2014)

Figure 8: Leading EU/EFTA importers of home decoration, value in € thousand million



* Excludes data on Switzerland
Source: Eurostat Prodcop (2014)

Figure 9: EU/EFTA imports per product category, value in € thousand million

Source: Eurostat (2014)

Increase of imports from developing countries

- European imports have bounced back in value terms after facing difficulties in 2009. From 2010 to 2013 imports stabilised, reducing by only 1% annually. The frail situation at consumption level will influence imports. The large share of home decoration products imported from Europe can partly be attributed to re-export, which plays a large role (see Figure 9). From 2009 to 2013, imports from DCs increased 2% annually in terms of value, whereas the volume of imports decreased, pointing towards a growing import price.
- Share in the value of DCs has been relatively stable, ranging from 28% to 32% (Figure 9). In terms of volume, the DC share of total imports decreased from 39% in 2009 to 35% in 2013. Particularly significant declines were witnessed in imports from Vietnam, Indonesia, Thailand and Malaysia. These countries should view this development as a signal to increase levels of innovation and differentiation, especially in the volume markets which they target.
- Imports of candles (+5%), cutlery (+4%) and small furniture (+2%) increased from 2009 to 2013.

Solid countries are main importing countries

- The leading importing countries of home decoration in general (Figure 8) are also the leading importers of home decoration from DCs: more than half of EU imports takes place in North-Western Europe. European importers which showed considerable growth in imports from DCs include the UK, Sweden, Denmark, Austria, Switzerland and Norway (solid countries in terms of macro-economics). Germany remains a powerhouse in terms of volume and growth, whereas the UK has the highest share of imports from DCs. In the long term, growth opportunities are expected to be found in Eastern Europe, where consumption is predicted to increase.

Change in stocks and size of orders

- In a market that is under pressure, retailers are keeping their stocks low and are converting their old (or dead) stocks into cash before buying again. Also they will be more demanding towards their wholesaler in terms of quality and convenience.
- Importers are responding by reducing the size of their orders, managing their working capital cycle more tightly (e.g. by negotiating tougher terms of payment), looking at cost advantages (e.g. in transport) and via differentiation in the market (better service, shorter but faster marketing campaigns, more design, improved sales activity).

Prospects for European imports

- How imports of home decoration products are affected depends to a large extent on the market segment. According to industry sources, certain volume markets and many premium markets are probably doing well. It is the mid-markets which have been most affected by decreasing imports, perhaps through lack of cost advantages and differentiation. Online marketing appears to be growing, perhaps in line with the greater demand for convenience by the consumer.

CFA: Differences between European countries will occur. Mature markets, such as Germany, the UK, France and Italy, with a long tradition of consumption in home decoration, will be leading in market share, but may show little or no growth. Emerging markets, such as Poland and the Czech Republic, have less traditional home decoration consumption patterns. By nature, these markets are smaller in size, but may show considerable growth in imports (see Figure 8).

CFA: Develop an interest in your importer’s situation in his part of the value chain. The more convenience the importer experiences in working with his suppliers, the more he will treasure and build the relationship. All angles of the supplier’s business can count when it comes to assisting a buyer under pressure: e.g. logistical advantages, cost reduction, increasingly frequent initiative-taking in product development, better ‘stories’ (in relation to manufacture, product background, green values) and better communication throughout the process.

CFA: Opportunities can be found in the value added market segment, which concerns small volumes of quality products.

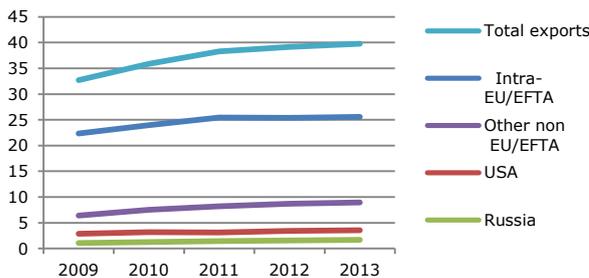
CFA: Some countries seem to represent more favourable destinations for DC exporters than others. Consider targeting the UK, Sweden, Denmark, Austria, Switzerland and Norway, showing growth in imports from DCs, and Eastern Europe, where growth opportunities are expected in the long run.

CFA: Spread your options in entering the European market, by trying to source more buyers and entering more countries. Do not forget your own regional markets either, as many of them are promising (please refer to the [CBI Trends for Home Decoration & Home Textiles](#)).

Exports

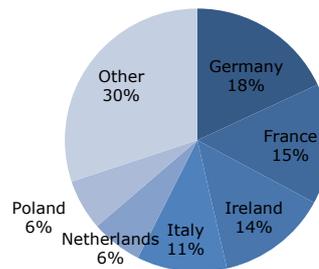
European exports are increasingly aimed at emerging markets outside of Europe, while intra-European trade is growing as well. In the long term, this is expected to increase due to an emerging East-European region, both as producers and markets.

Figure 10: EU/EFTA exports of home decoration, value in € thousand million



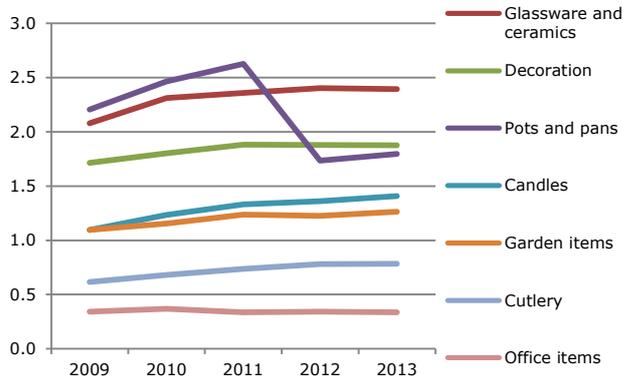
Source: Eurostat (2014)

Figure 11: Leading EU/EFTA exporters of home decoration in 2013, share in value



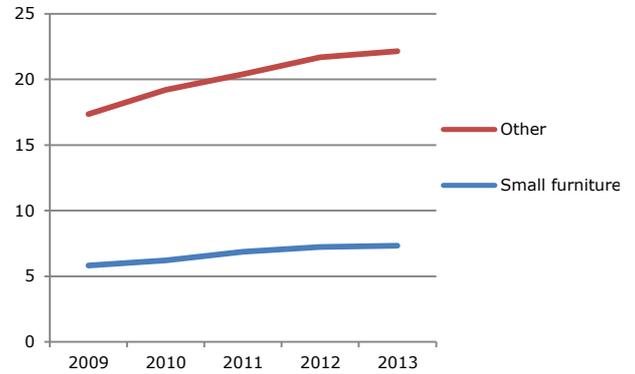
Source: Eurostat (2014)

Figure 12: EU/EFTA exports per sub-sector (small product groups), value in € million



Source: Eurostat (2014)

Figure 13: EU/EFTA exports per sub-sector (large product groups), value in € million



Source: Eurostat (2014)

European exports recovered from crisis

- European home decoration exports increased by 5% annually from 2009 to 2013 and started to recover from the economic crisis.
- Small furniture experienced the highest growth in exports (Figure 13), followed by the smaller product groups of candles and cutlery (Figure 12).
- Almost two thirds of European exports are destined for other countries within Europe. Other large non-DC destinations include the USA and Russia. In the intra-European trade, the Netherlands is acting as a trading hub. If, in line with forecasts, production is increasingly outsourced to Eastern Europe, intra-European trade is expected to play an increasingly significant role.
- Strong growth has been witnessed in terms of exports to Russia (13% annually from 2009 to 2013), Turkey (10%), China (18%), United Arab Emirates (9%), and Saudi Arabia (14%) affirming European countries' response to regional emerging markets. These same emerging markets also open up new options for DC exporters, as explained in more detail in Field of Competition.

CFA: Keep track of emerging markets outside Europe, especially in your own region. It can help you to spread your risks by diversifying your markets and offers, as well as increase your learning and experience in marketing.

CFA: Particularly monitor the role of China, which seems to be a 'sleeping giant' when it comes to new consumer markets for interior products, both in terms of volume and growth potential. Since Chinese consumers appear to favour branded goods, especially of European origin, interesting partnerships may become possible between you and your EU buyer when it comes to opening up the Chinese market.

CFA: Consider targeting trade hubs, such as the Netherlands, to reach your target market indirectly through re-exports.

CFA: Find out what the major trade hubs are for your product as this can vary per product and target country/region.

This survey was compiled for CBI by ProFound – Advisers In Development in collaboration with CBI sector expert Kees Bronk (GO - Good Opportunity)

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