THE EUROPEAN FURNITURE INDUSTRY: MARKET, DESIGN AND TRENDS

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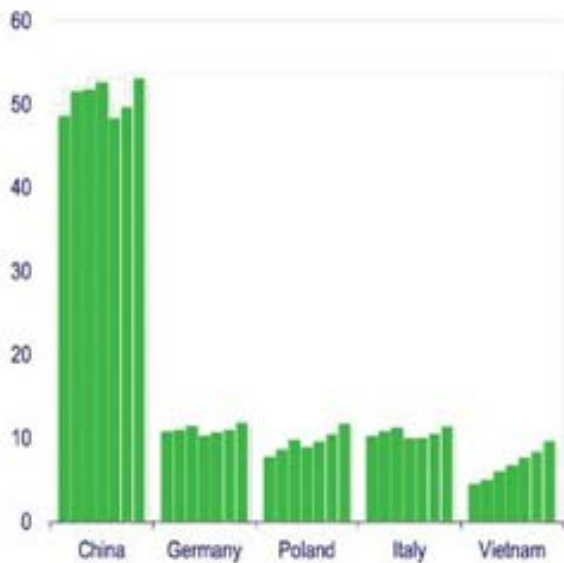Turkey

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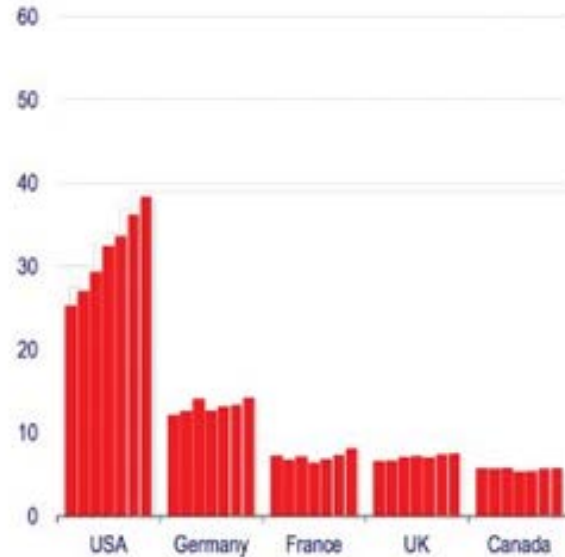Slovenia

The European furniture market

The European furniture market has 44% of global furniture import and 41% of global furniture export. According to the CSIL report, the EU furniture industry employs about one million workers (most of them are skilled workers), in 121.500 production companies, mostly consist of small and micro level companies

The total value of global furniture trade in 2018 was around US$149 billion, 4% up on the previous year and building on a 6% increase in 2017. CSIL expect the world furniture trade to continue to grow by 4% in 2019. The Centre for Industrial Studies (CSIL) reported that Asian countries became more dominant in the global furniture market, followed by the European market on the World. . In particular, the fastest growing in the global furniture production has been observed in Asia and Pacific counties

Global Furniture Market size to witness significant gains at around 5.5% to surpass USD 750 billion by 2024, according to a new research report by Global Market Insights, Inc.

A: Major furniture exporting countries.

B: Major furniture importing countries (CSIL 2019)

Global Market Insights

FURNITURE MARKET

REGIONAL ANALYSIS

1. NA market size (2017): >6 MN tonnes
2. APAC industry CAGR (2018-24): 5.5%

2017	2018-24	2024
$540 BN	CAGR (2018-24): 5.6%	>$750 BN

Wood material segment share (2017): 65%

Residential applicaton share by 2024: >$495 BN

The world leading importers of furniture are the United States, Germany, France, the United Kingdom and Canada. About two third of the US imports was from Asia (China, Vietnam, Malaysia).
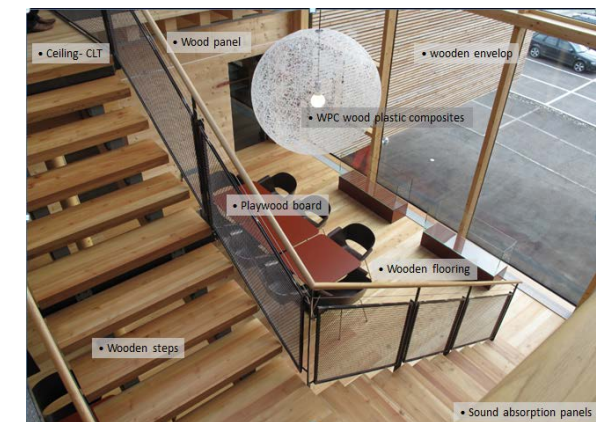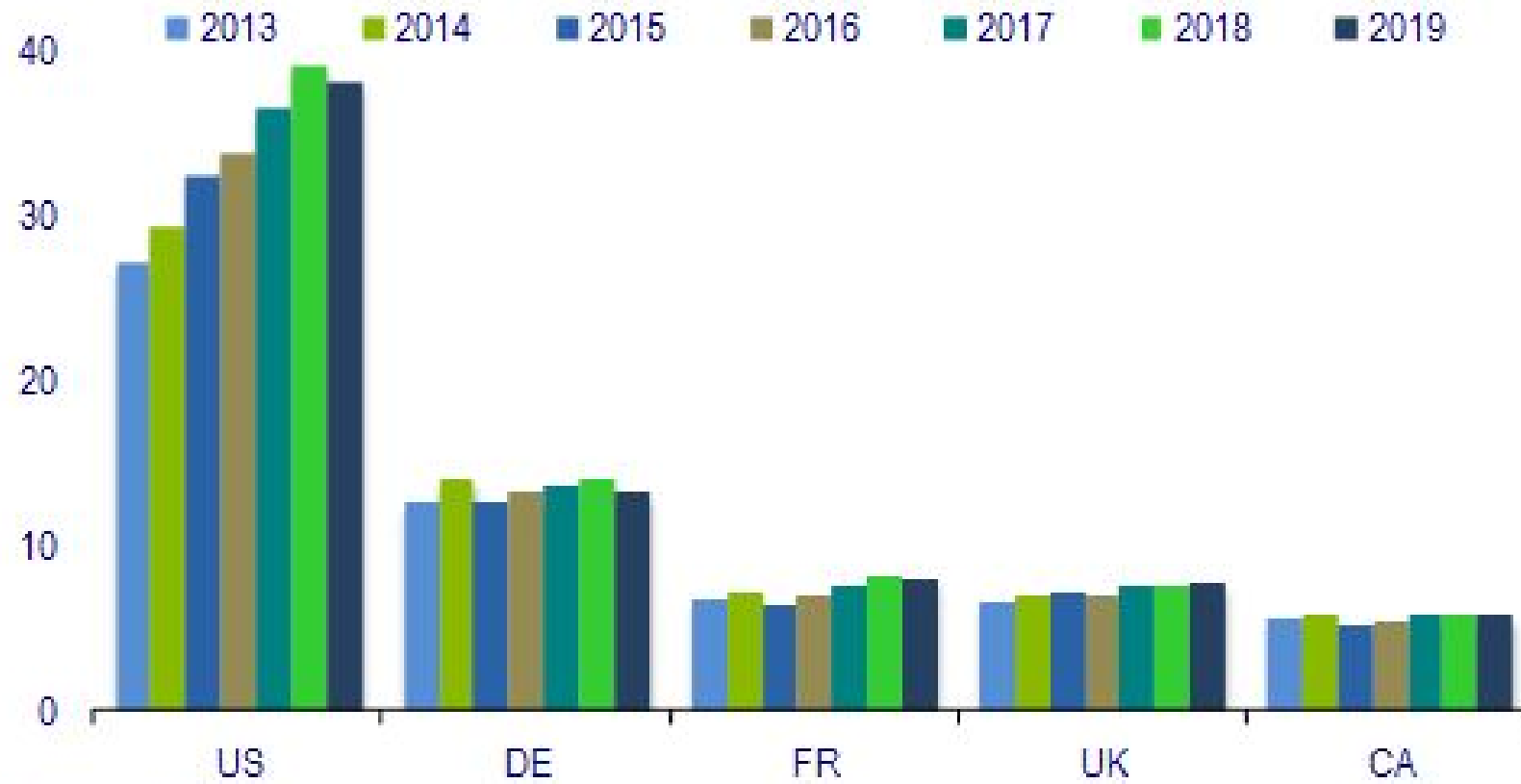
Source: Source: CSIL, „World Furniture Outlook"

About US$134 billion of the furniture production comes from the seven high income countries, such as: United States, Italy, Germany, Japan, France, Canada and the United Kingdom. All high income countries combined are responsible for 45% of the world furniture production.

In the other hand, more than half (55%) of the world furniture production takes place in middle and low income countries, and it is raising fast due to the enlargement of factory capacities and improvements in logistics and infrastructure.
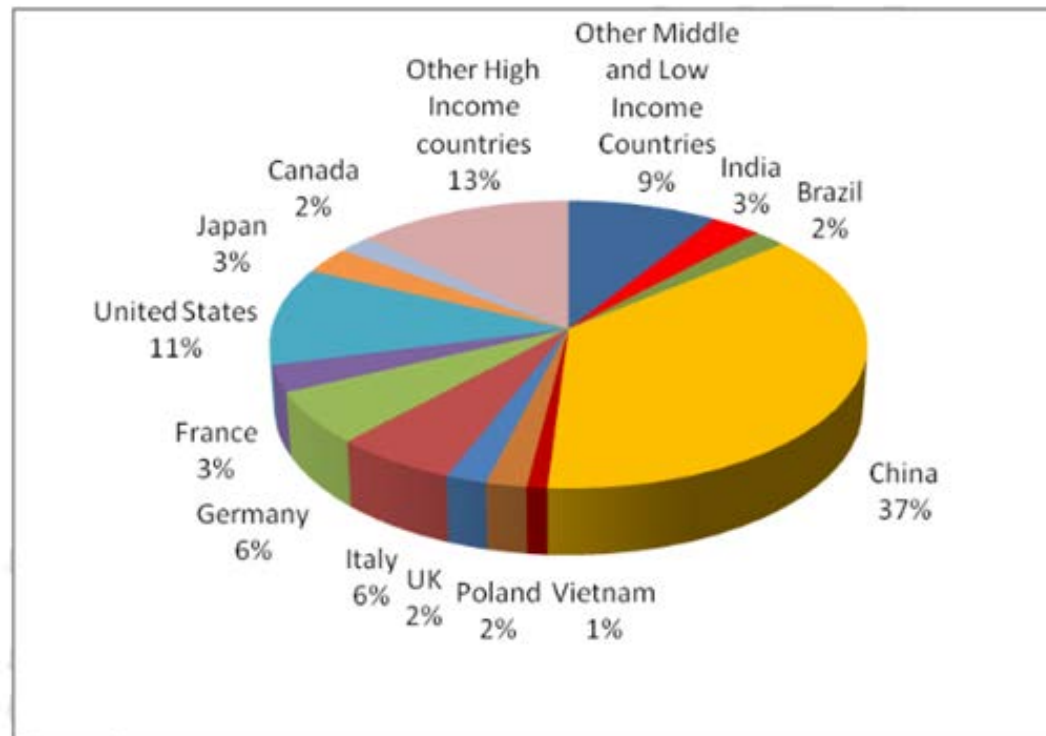

Consumption of furniture is forecasted to grow by 3.2% in real terms worldwide in 2019. The fastest growing region continues to be Asia and Pacific, with all other regions growing between 1% and 3% in real terms.

The cost pressure on furniture manufacturing in Western Europe is high, and the price of wood is a critical factor. Larger Western European companies have moved furniture production to Eastern Europe to take advantage of lower labour costs and existing expertise and infrastructure in furniture manufacturing.

The relatively low labour cost in Eastern Europe combined with the advanced level in manufacturing technology creates a very competitive situation for suppliers of value-added wood products to the European furniture industry.
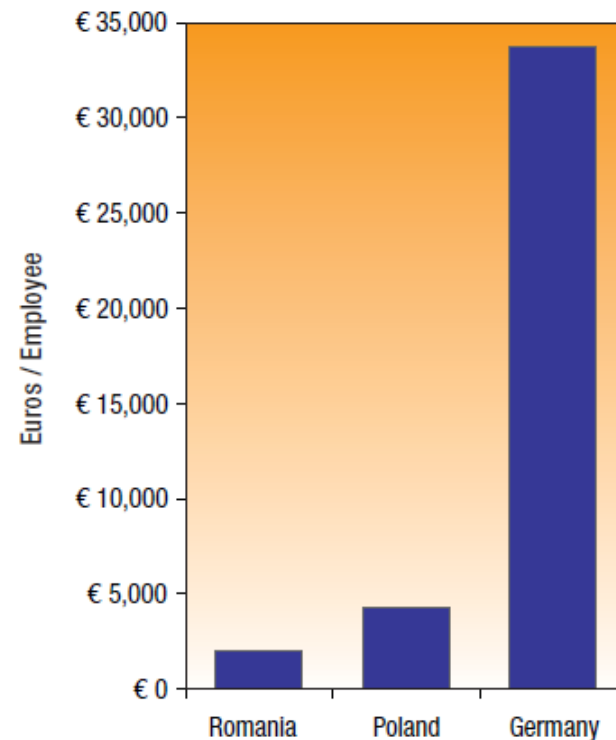
Labour cost in furniture manufacturing in Romania, Poland and Germany
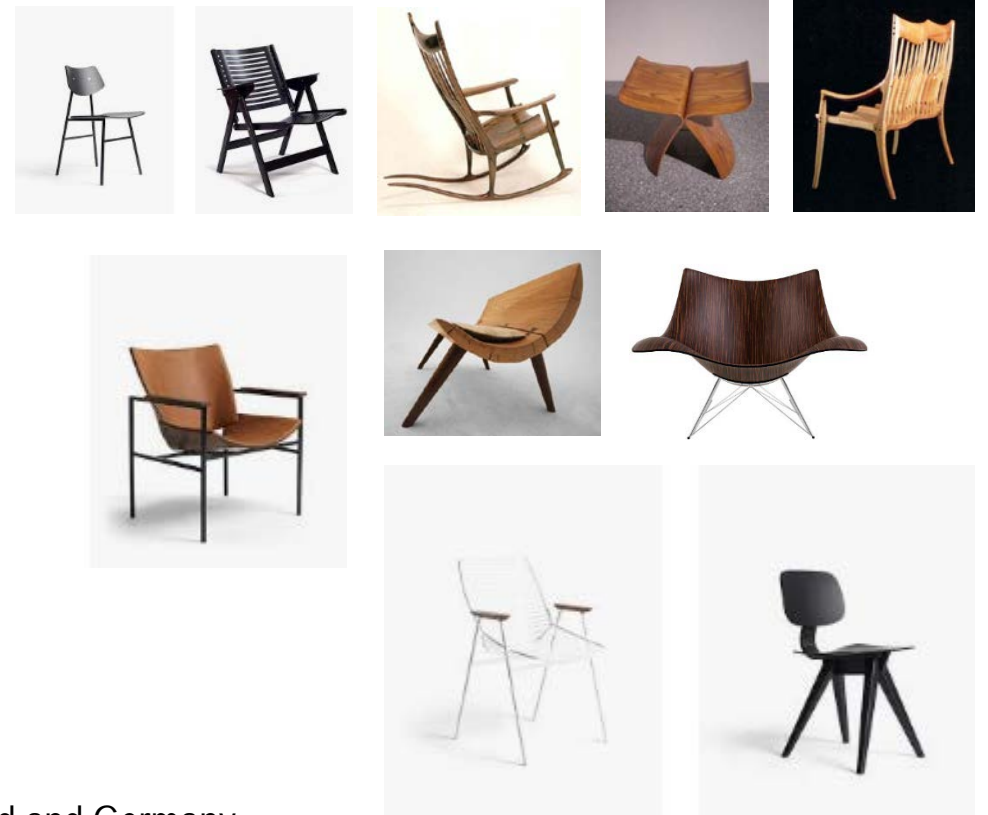
The most common problems faced by the European furniture industries are the following:

- Globalisation has affected the European furniture sector. Furniture prices are under severe pressure due to competition, in particular from Asian market. Import pressure from low-cost countries (e.g China, Vietnam, Indonesia).

- It is a sector mostly made by small and medium sized company, managed by their owners, with governance and reporting models that need to be updated.

- Many subsectors are facing investment stagnation, others have to deal with a over dimensioned production capacity.

- Access to credit and loans - difficulties in finding resources to fund the costs of needed investments

Leaders from industry associations say that the top 5 biggest issues for the home furniture industry are:
1. Ever-changing advancements in e-commerce and technology.
2. Economical regulations.
3. Trade issues.
4. Safety regulations.
5. Need to refresh talent pool

Also, topping the list of concerns is the need to refresh the talent pool with up-and-coming younger members of the industry, the ever-changing advancements in e-commerce and technology, and elevating the industry's overall influence.

Source. https://directtoconsumer.io/2020/01/10/top-5-biggest-issues-for-the-home-furniture-industry/

The most common problems faced by the European furniture industries are the following:

- Market globalization negatively affects the European furniture sector. Especially, Asian countries such as Vietnam, China are competitive markets due to very low labor cost- low raw material prices

- Furniture industry mainly comprised of medium and small scale factories, and they are managed by their owners. The corporate management system should be encouraged. The factories should employ forest industry engineers. The companies should update their management system based on the governance and reporting models

- Many furniture sub-sectors are adversely affected by investment stagnation

- Diffuculties for loans and credits for financial support of required investments

- Unsatisfactory marketing strategy and unsufficient commercial structure to deal with global market

- Disruption of retail distribution sysyem which negatively affect the value chain efficiency. This results in higher product prices for customers

- The goverments should protect intellectual property rights

- Increasing raw material prices such as wood, leather, plastics, etc.

<u>Major competitive strategies of European Union for furniture production</u>;

Innovation: Innovative furnitre design, 3D-modeling apparatus, efficiently using of internet and e-business market to obtain new market segments, environmentally friend materials used in furniture production suh as recycled materials, sustainable materials

Environmental (green) approach for competitive advantage: Life Cycle Assessment (LCA) for furniture products; Ecolabel as differentiator

Reduced lead times: Information and communication technology, e-business tools, such as Supply Chain Management systems

Entering into emerging markets and developing countries: especially in South America, Russia, Brazil, China and India, where the number of luxury buyers is increasing)

Communication strategy beyond advertising: the sponsorship of activities, conferences and campaigns, undertaken by local professional bodies. Trade fairs, web-site advertising, magazines, newsletters and TV programme.

The essential values guiding to the European Furniture Group (EFG) for their works;

Flexibility – Each customer is unique and interior design is based on the individiual requirements of customers

Inspiring – The furniture companies are inspired by new innovations and innovative use of materials. They follow the latest market trends for interior solutions.

Sustainability – Use of environmentally friendly materialsi sustainable materials, recycled materials and responsibility in socio-cultural, and economic issues.

Curious – The furniture companies continuously looking for solutions to their customers in wonder

Nowadays, interior design is considered by furniture companies to maintain healthy office maintaining a healthy office environment. Four important key factors affecting interior design are given below;

Efficiency of space. The room space enables more people without crowding the room

Productivity. Many activies can be carried out in the office, with less effort by adapting the interior design to fit specific tasks and activities.

Motivation. An office with a modern way of working is attractive to both current and future employees.

Image. The interior design of a workplace tells the story of the company and its brand and is a direct reflection of the company culture.
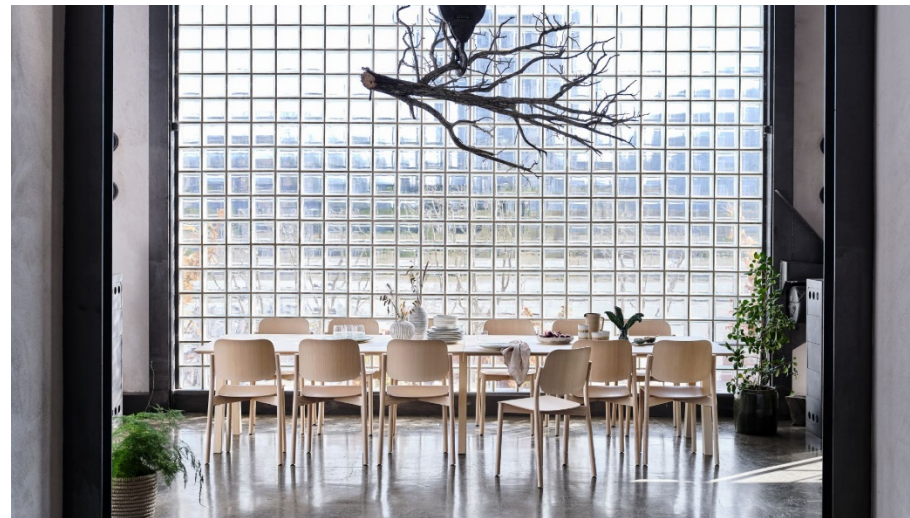
European furnitre companies compete with many emerging countries having significant advantages such as lower labour costs, known and accessible technologies, and import facilitating factors. European companies have revised their business model into a new one based on the added value created for the consumer. Customer behaviors such as preferences and life style has been shifted to the busines model of furniture producers Tradition business model versus to business model based on value generation is given in Table 1.

Table 1. Differences among a traditional business model and a business model based on added value generation.

Traditional business model	Business model based on value generation
Oriented to the furniture production	Oriented to the consumer
Based on the traditional value chain: supplier - manufacturer – retailer and based on the individual capabilities and resources of the companies	Operative efficiency search, improving the inter-cluster cooperation
Local and national activity approach	Global approach of the activity
Company size as a problem	Flexible organizations to apply (strategy, organization, resources and capabilities, knowledge and technologies)
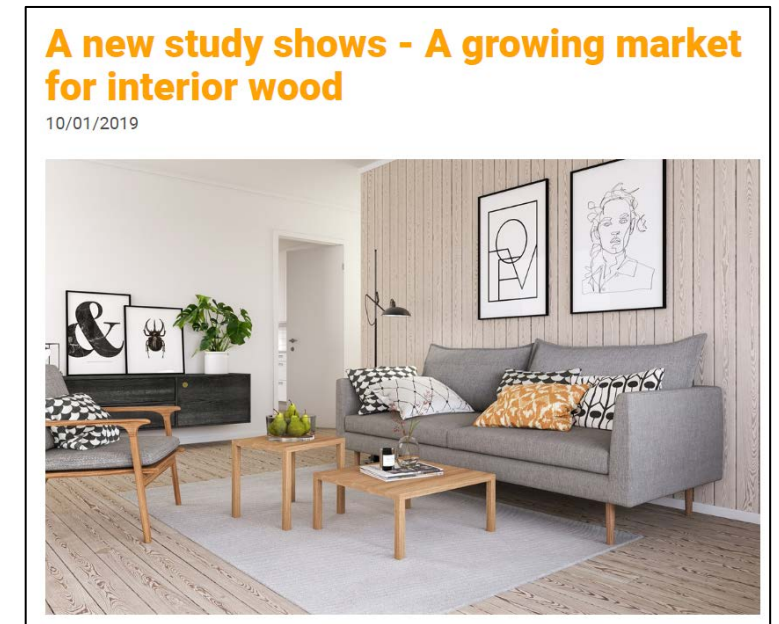
A new study shows - A growing market for interior wood

10/01/2019

https://www.swedishwood.com/about_us/news/2019/1/a-new-study-shows-a-growing-market-for-interior-wood/

Source: UEA European Furniture Manufacturers Federation. Furniture Industry in restructuring: systems & tools

Recent furniture design trends in Europe

Many people changed their work life due to coronavirus pandemic. Home-office trend has rapidly increased in Europe and this significantly affects the furniture desing. For example, the bookcases having bigger storage capacity and working table with multi-functional space are demanded by the customers the preferred ones.

Another recent trend in European countries is the change in the design of kitchen furniture. Families have spent more time in the kitchen and this affects the customer behavior. Kitchen has become one of the most important rooms for social life at home. Families have focused on the larger kitchen areas. Nowadays, kitchen is not only a place to eating place but also a place for spending time of all family members together.
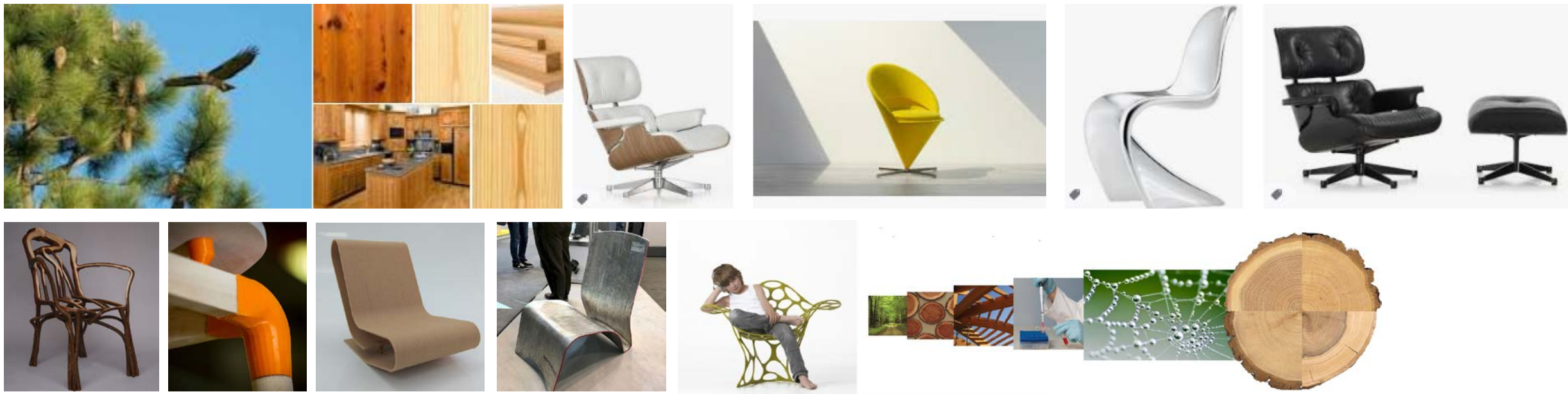

Home-office furniture design.

A recent design for a kitchen furniture.

CONCLUSIONS

European furniture industry is the heart of the design and innovative materials used in the production of the furniture on the World. Especially, Italy is the frontier of the innovative design in Europe. Although European furniture industry has major competitive strategies such as innovation, environmental approach, reduced lead times, the industry is still faced some common problems such as market globalization and Unsatisfactory marketing strategy. When the tradition business model is changed to business model based on value generation, the European furniture industry will develope in near future.

THANK YOU

ANY QUESTIONS