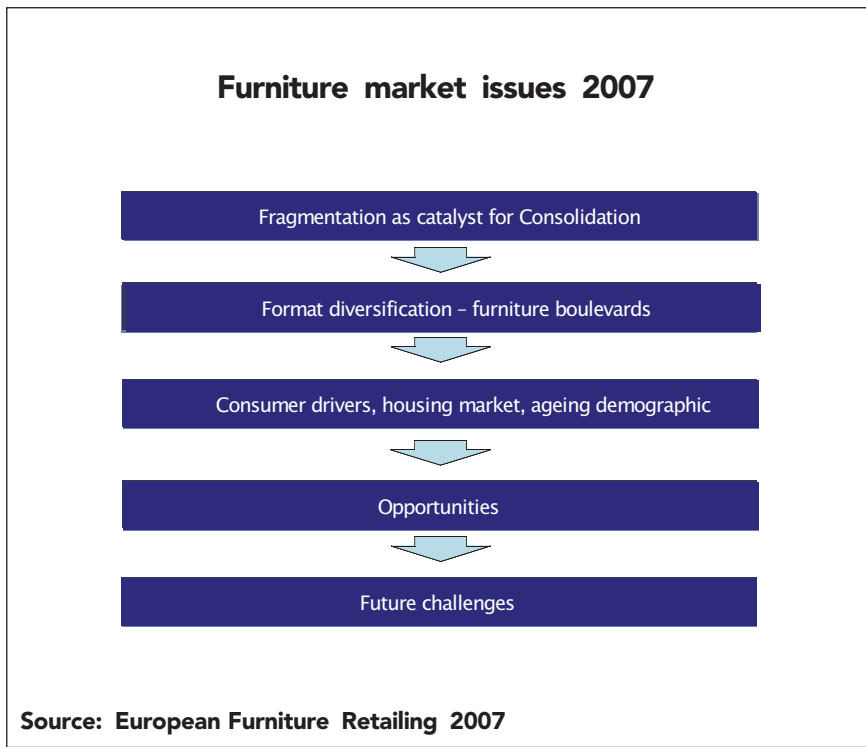


## European Furniture Retailing 2007

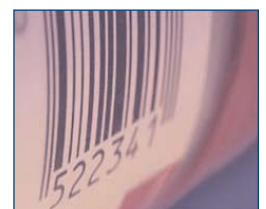
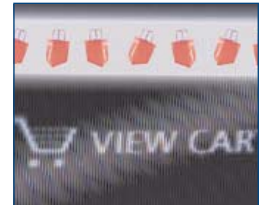
Uplift at last - as consolidation begins

**Sector Report - Published June 2007**



“Besides IKEA, Conforama and Lutz – the European furniture market is still dominated by smaller independent specialists. As price wars and discounting have taken hold of the sector, specialists have felt the squeeze in recent years as margins have come under pressure forcing many to affiliate to one of the numerous buying groups to overcome their lack of scale. Going forward, we expect truly independent furniture specialists unaffiliated to a buying group or franchise business to become a thing of the past. The polarization of the sector into premium at one end and a strong discounting segment on the other will continue and provide a catalyst for consolidation across the sector...”

See order form for further details...





## About Verdict Research...

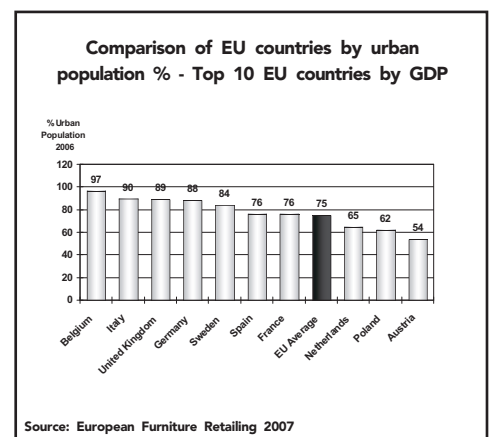
Verdict Research has been producing independent retail analysis and comment on the UK retail marketplace for well over 20 years and is regarded as a key source by BBC, ITV and the leading broadsheets including, the FT, Times, Independent and Daily Telegraph. Many leading trade publications also frequently refer to Verdict's opinion and research including Retail Week, DIY Week, Cabinet Maker and The Grocer.

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## Some key findings from this report...

- **The polarisation of the sector into premium at one end and a strong discounting segment at the other will continue**, as retailers will be forced to choose between volume and premium. EDLP and discount operators such as IKEA, Conforama and Lutz will continue to expand aggressively and capture further share from other retailers whose value credentials are less clearly communicated.
- **The global leader IKEA was one of the first retailers to internationalise its operations and is in a league of its own.** Its 11.7% market share is nearly twice the combined share of its three nearest competitors (Conforama, Lutz, and JYSK) and the chasing pack is still a long way off challenging it.
- **Despite the precedent set by IKEA, continuing opportunities in home markets reduce the pressure on other furniture specialists to expand abroad.** As markets in the EU remain highly regionalised, there are still areas significantly underserved by furniture specialists and clear growth opportunities exist.



"A high urban population percentage is attractive to retailers, because urban centres can provide secure footfall. The wealthiest EU nations generally have an advantage on this measure. Secondly, highly urbanised markets are usually preferred targets for retailers as disposable incomes tend to be higher in urban areas..."



## European Furniture Retailing 2007

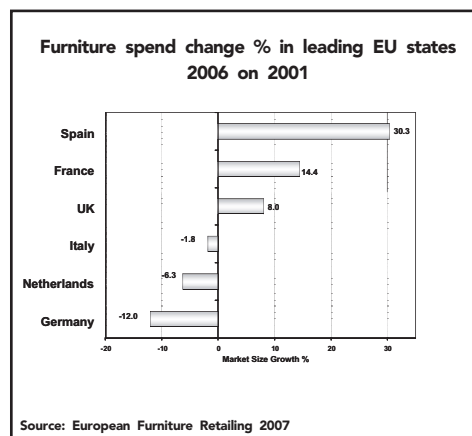
Despite relatively slow growth in 2006 (2.1%), it proved to be the fastest for furniture specialists since the millennium, illustrating that the €120bn sector is starting to recover. Besides IKEA, Conforama and Lutz – the European furniture market is still dominated by smaller independent specialists and is one of the most fragmented European retail sectors. As price wars and discounting have taken hold of the sector, specialists have felt the squeeze in recent years as margins have come under pressure.

**European Furniture Retailing 2007** is a new report published by Verdict that provides accurate insights into the key trends and future developments and it provides in-depth analysis of the main operators in the market. It also offers new insights into retailer growth strategies in a challenging and competitive market environment through its detailed analysis of the opportunities in the sector and the threats posed by non specialists.

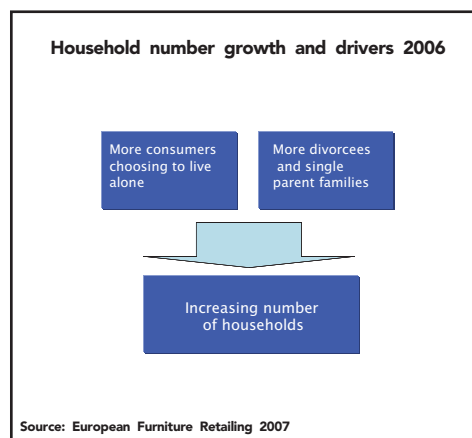
**Identify the strengths, weaknesses and strategic challenges that face participants in the European furniture retail sector.**

**This new report will enable you to...**

- **Quantify key retail trends and accurately predict future European furniture retailing growth** with this report's company profiles detailing retail proposition, marketing and operations analysis and market outlook and five year trends in market share, sales, profits, sales densities, space allocation, space growth and store portfolios.
- **Benchmark your competitive strategies using the company profiles contained in this report** for key retailers including IKEA, Home Retail Group, JYSK, Lutz Group, Nobia and PPR.
- **Assess the growth potential and the challenges facing the key European furniture retailers** with this reports' in-depth analysis of market drivers, key issues and outlook.
- **Develop more effective strategic responses** using this report's actionable recommendations for how retailers must cope with the changing European furniture retail market.



"In the past five years there has been significant variation in performance across the six key EU furniture markets. Germany's strongly declining furniture expenditure at -12.0% was attributable to the recent economic downturn in the country, high unemployment, reduced disposable income and weak consumer spending levels all conspiring to give furniture retailers a tough time in the country..."

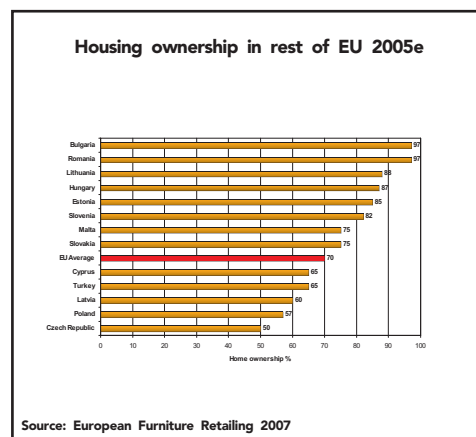


"Across the European Union the number of one person households is on the rise, a trend set to continue for at least another decade. While the average number of persons sharing a household will decline further, the total number of households will increase. By 2010 Verdict expects the number of households in the EU15 will have reached 165m, with an average of 2.3 people per household..."



## Key issues examined in this report...

- **Space expansion.** Space expansion enables diversification into other product areas. At present many furniture retailers are copying department store operators by creating theme worlds on their shop floors, offering lifestyle solutions, rather than just selling furniture.
- **Range diversification and pricing architecture.** To boost sales of core furniture ranges, many furniture specialists are developing premium ranges to encourage consumers to trade up and so capitalise on demand as the macroeconomic situation improves. Retailers can expect a degree of increasing discretionary spending and can further help this along by developing strong furniture brands.
- **E-commerce.** Another growth opportunity for furniture retailers lies in Internet retailing. While running a successful online operation is by no means cheap, the showcasing and the round the clock availability of furniture products online is an enticing option for furniture specialists to drive sales.



"A key development in the history of the EU has been the transformation of countries in central and eastern Europe from centrally run command- to market-based economies. The process has been uneven, with some countries making significant progress, which has filtered through to the housing market and is beginning to benefit furniture and DIY sales in these countries..."

## Your questions answered...

- What is causing the slow growth in the European furniture market and how long will it continue?
- Who are the top players in the European furniture market and how quickly are they consolidating their position?
- Where are the growth opportunities within the European furniture market?
- How can European furniture retailers differentiate themselves and grow their sales?
- Which European furniture retailers are pursuing multi-channel growth and how?
- How do European furniture retailers compare against each other?

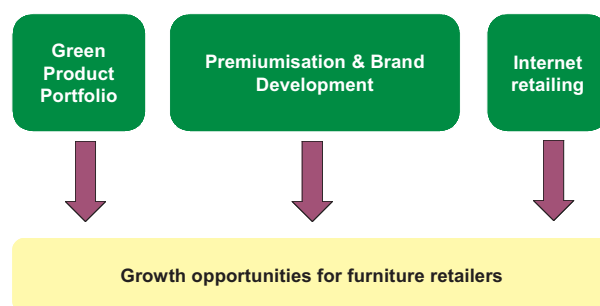


"Despite the backdrop of a strong set of market drivers and opportunities, there are also a number of challenges facing furniture retailers. The continuing price war across EU furniture retail is a considerable threat to the margins of many furniture specialists. This is further exacerbated by the high rents many furniture retailers have to pay for their large footprints – even though these are typically situated in less attractive out-of-town locations..."

## Sample information from 'European Furniture Retailing 2007'

### Chapter 12: Strategic Issues

Figure 59: Growth opportunities for furniture retailers 2007



Source: European Furniture Retailing 2007

### Opportunities

- Future growth opportunities for furniture retailers include green product portfolios, premiumisation – including the further development of strong brands across the sector – and the Internet. There are various opportunities for retailers to adapt to changing market conditions. The development of new product ranges reacting to changed consumer demand – for example products under the green, ecologically friendly banner – should act as a driving force for the whole sector.
- As the macroeconomic situation in Germany and consumer confidence in Italy improves – two of the largest furniture markets in the EU – retailers can expect a degree of increasing discretionary spending and trading up. Retailers and the industry can help further by developing strong furniture brands such as Natuzzi.
- Thirdly, the Internet is often portrayed as a threat to furniture retailers as it encourages peer comparisons across the sector and fuels the discounting trend. However, retailers should use the Internet as an opportunity to portray themselves, differentiate from the competition and ultimately drive footfall to their bricks and mortar outlets.

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Order this report today to find out more...



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