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1. Overview of Germany

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Germany – a fortunate island?

Germany: Facts and figures

- 82 Million inhabitants (decreasing).
- 40,4 Million households (increasing).
- Conclusion: More and more single households.
- Per capita living space: 43 sqm (more than ever!).
- More than 60% of all apartments/houses have balcony or garden (Outdoor furniture!).

Germans are getting older.

More than 30 Million Germans are more than 50 years old, half of them are older than 65.
Generation 60 Plus is a very interesting but extremly heterogenous target group (high purchasing power, but very different interests and tastes).

Germany: Economic growth in the first quarter 2013: only 0,1%!

Uncertainty because of the political situation?
Parliament election in September!

2. Furniture Market in Germany – Oerview

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The European furniture sector – suffering from the Euro crisis

Some facts:

- Italy: Market volume for furniture was decreasing by 5% in 2012. Forecast for 2013: -6%.
- Spain: Decrease of the market volume for furniture between 2006 and 2012: -60%
- Between 2010 and 2012 50% of the Spanish furniture retailers had to give up and to close shops.

No crisis in Germany?

Sales in the German retail sector 2012: More or less the same level as 2011: A bit more than 30 billion Euro*. Market share: 28% kitchen, 18% upholstery furniture, 12% living and bedroom furniture.

*Total amount incl. kitchen and home accessories. Without kitchen and home accessories: 14 billion Euro.

Why the situation in the German furniture sector is better than in other countries?

- Consumers are not yet directly affected by Euro crisis
- Low jobless rate (labor shortage in some industry sectors) improves climate for private consumption
- Cultural aspects. German love to live in a cozy environment. So the per capita cosumption for furniture is higher than in other countries (more than 380 Euro per year).

Perspectives: Furniture industry can be beneficiary from Euro crisis.

The German furniture industry (manufacturers):

- Turnover: 17,1 billion Euro (under the prior crisis level of 17,2 billion Euro in 2008)
- Growth in 2012: 1,3%
- Turnover domestic: 12,3 billion Euro (+1,2%)
- Turnover international (exports): 4,8 billion Euro (+1,4%).
- Approx. 500 manufacturers.

Protagonists in the German furniture industry:

- Nobilia Werke (kitchen)
  turnover more than 850 Million Euro, approx. 2.400 workers, export rate almost 40%.
- Hülsta group (home furniture)
  Turnover more than 500 Million Euro, more than 3.000 workers. Group members are Hülsta, Rolf Benz, Ruf Bett, Arte M, Loddenkemper and more.
- Welle Holding (home furniture)
  Turnover 470 Million Euro, almost 4.000 workers, group members are Himolla, K+W Polstermöbel, Leicht Kitchen, Paidi, Bürstadt Furniture (supplier of Ikea).

Export:

- Problems in Europe (France -5,4%, Austria -5%, Netherlands -10,3%).
- Successful in Asia and America (China +11,4%, Japan 25,1%, Mexico 21,7%).
- Fastest growing export market: Russia (300 million Euro, 20% growth per year)

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German furniture imports (january – september 2012): 7,36 billion Euro

Every second piece of furniture sold in Germany is imported.
Biggest importers (Jan. – Sept. 2012):

1. Poland (1,63 billion Euro, +2,3%)
2. China (1,19 billion Euro, +10,9%)
3. Italy (602 million Euro, -8,4%)

Vietnam (116,3 million Euro, +8,7%)
Indonesia (63,5 million Euro, - 1%)
India (41,3 million Euro, +21,3%)
Malaysia (21,1 million Euro, +7,5%)
Thailand (19,4 million Euro, +8,7%)
Philippines (5,1 million Euro, -5,2%)

3. Furniture Market in Germany - Players

The German furniture retail business:

- Approx. 9.000 furniture retailers. They represent 75% of the total sales
- More than 80% are memebers of buying groups
- Total sales area: 22 million sqm
- Market is getting more and more splitted in low end and medium to high end
- 25% of the business is generated by discount markets (Roller, Poco, Boss).

Increasing number of big stores

2002: 116 stores bigger than 25.000 sqm.
2012: 166 stores bigger than 25.000 sqm.

Biggest store: Möbel Inhofer, 74.000 sqm sales area.

Top players in the German furniture retail business:

1. Ikea Deutschland
   Turnover: 3,88 billion Euro
   46 /Ikea furniture stores

2. Krieger-Gruppe
   Turnover: 1,93 billion Euro
   Retail brands: Höffner, Möbel Kraft, Sconto

3. XXXLutz-Group
   Turnover: 1,6 billion Euro
   Retail brands: XXXLutz, XXXLNeubert, XXXLMann, XXXLHiendl, Mömax, Sparkauf

4. Tessner-Group
   Turnover: 1,25 billion Euro
   Retail brands: Roller, Tejo, SB Lagerkauf, Meda Küchen

Top players in the German furniture retail business:

5. Porta Möbel-Gruppe
   Turnover: 1,225 billion Euro
   Retail brands: Porta Möbel, Möbel Hausmann, SB-Möbel Boss

6. Otto Group
   Turnover Living: 1,1 billion Euro
   Retail Brands: Otto, Küche&Co., Baur, Heine, Smatch.com, Quelle.de, Neckermann.de, Schwab, Manufactum, Baumarkt.direkt, Schlafwelt.de

7. Segmüller
   Turnover: 1,05 billion Euro
   Retail Brands: Segmüller, Möbel Maxx

8. Poco Domäne Holding
   Turnover: 956 million Euro
   Retail Brand: Poco-Domäne

Top players in the German furniture retail business:

9. Dänisches Bettenlager(Jyske Holding)
   Turnover: 906 million Euro
   Retail Brand: Dänisches Bettenlager

10. Ebay Deutschland
    Turnover Living: 870 million Euro
    Sales concept: Online marketplace

11. Karstadt Warenhaus
    Turnover „Karstadt Home“: 490 Mio. million Euro
    Retail brand: Karstadt

12. Amazon.de
    Turnover Living: 430 million Euro
    Concept: online marketplace

Top players in the German furniture retail business:

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13. Möbel Martin
    Turnover: 387 million Euro
    8 furniture stores

14. Zurbrüggen
    Turnover: 340 million Euro
    Retail brands: 5 furniture stores, 3 Osca-Discount stores 4 Z2 ready-to-assemblefurniture-shops

15. Ostermann
    Turnover: 335 million Euro
    Locations/brands: 4 furniture centers, 4 trends-shops, 4 4 Loft-shops, 1 Ostermann-kitchen center

Top players in the German furniture retail business:

16. Schaffrath
    Turnover: 332 million Euros
    Retail brands: Schaffrath 4 furniture stores, 10 kitchen-stores, 3 Schaffrath Young Stores, 2 Casa Natura, 11 Electric Schaffrath, 1 kitchen-express, Knuffmann 3 furniture stores, 1 „design collection“, 4 K.N.A.S.T. (young living Knuffmann)

17. Dodenhof
    Turnover: 310 million Euros
    Locations: 2 furniture stores

18. Finke
    Turnover: 300 million Euros
    Locations: 6 furniture stores, 7 Preis-Rebell-discount shops, 1 Xara kitchen store

Top players in the German furniture retail business:

20. Culinoma
    Turnover: 250 million Euro
    Retail brands: Asmo, Plana, Vesta, Marquardt

21. Inhofer
    Turnover: 225 million Euro
    Retail brands: 1/furniture store, 1 Mega-In/ready-to-assemble shop, 1 Sparkauf, 1 Design Furniture Store Interni, 1 Küche + Bad/Innovation kitchen + bath

22. Kröger/Rück
    Turnover: 190 million Euro
    Locations/Retail brands: 1 Kröger furniture store, 3 Möbelstadt Rück, 1 Villa Rück

Top players in the German furniture retail business:

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23. Möbel Mahler Einrichtungszentrum
    Turnover: 187 million. Euro
    Locations: 3 furniture stores

24. Hofmeister
    Turnover: 180 million. Euro
    Locations: 2 furniture stores, 1 kitchen store

25. Küchen Aktuell
    Turnover: 175 million Euro
    Locations: 15 kitchen stores

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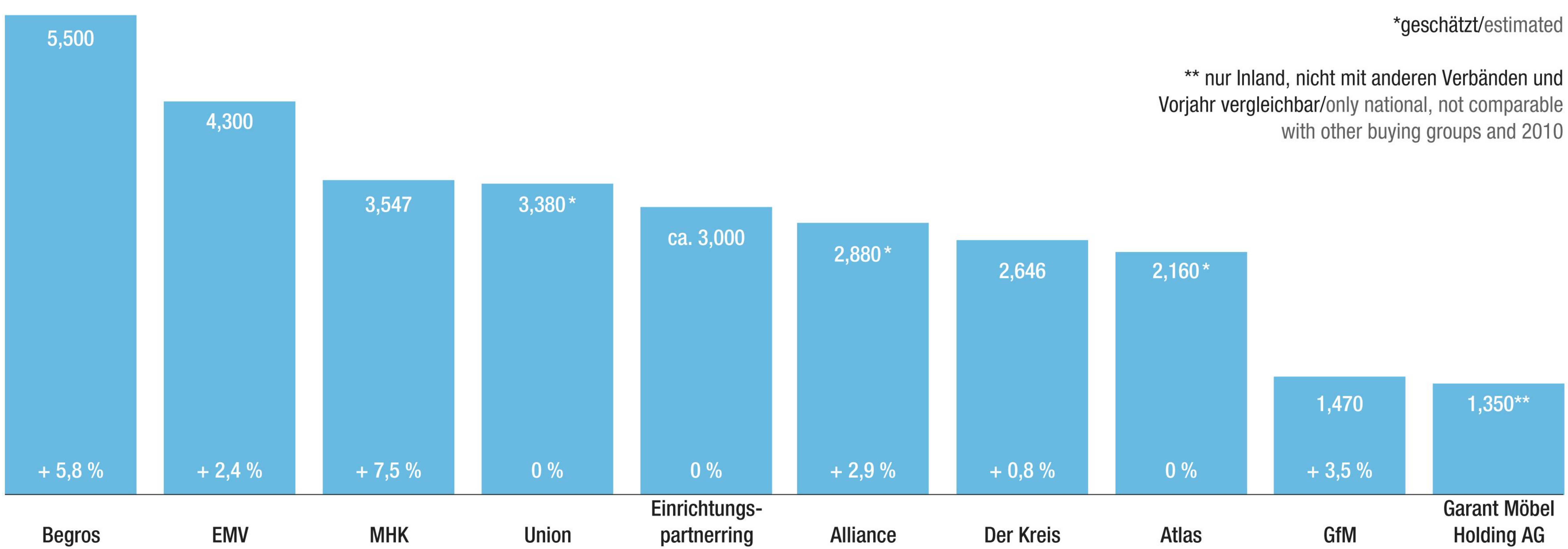
Grafik 1: Top 10 Möbel-/Küchenverbände 2011 nach Außenumsatz In- und Ausland (in Mrd. Euro)/Veränderungsrate (in %)
Graphic 1: Top 10 furniture/kitchen buying groups 2011 based on external sales national and international (in bn euros)/growth rate (in %)



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Relevant buying groups for furniture manufacturers from Singapore:

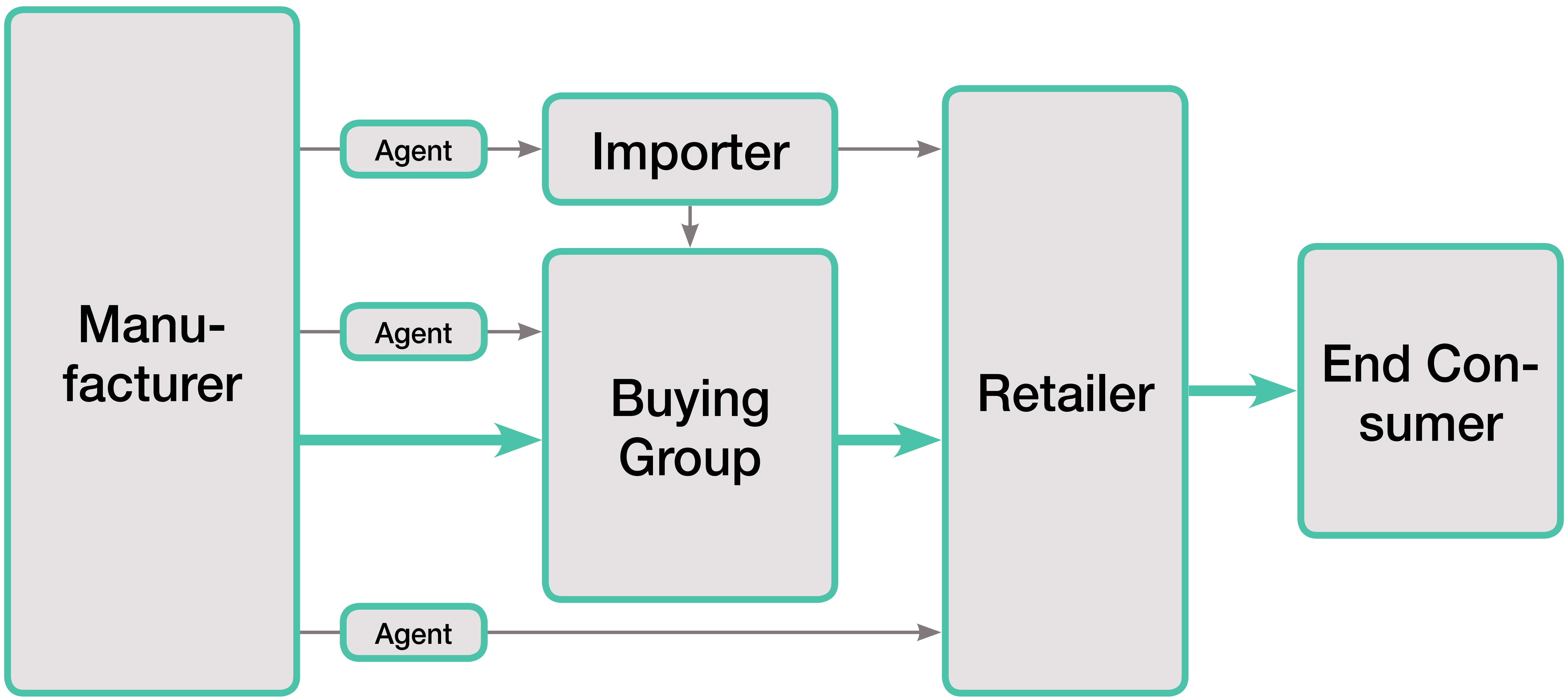
- Alliance (430 members, 765 shops and stores)
- Atlas (9 members, 44 stores)
- Begros (9 members, 400 shops and stores),
- Einrichtungspartnerring VME (180 members, 350 shops and stores)
- EMV (555 members, 1.000 shops and stores)
- Garant Möbel (more than 2.000 shops and stores in Germany)
- GfM-Trend (695 members, 753 shops and stores)
- Union (29 members, 210 shops and stores)

Buying groups know how strong they are.


Möbelstadt Sommerlad
Möbel biller Erlebniswelt
Möbel Inhofer
Möbel Martin
Begros
Erfolge brauchen Visionen
Schaffrath
Wir sind auf Sie eingerichtet
XXXL
porta!
möbel & mehr
dodenhof


SEGMÜLLER
hofmeister
Höffner
Atlas
KRÖGER
zurbrüggen
MÖBEL ROGG

How furniture is sold



imm cologne – gateway to the German market? Alternative M.O.W.?

4. Furniture Trends in Germany

How the Germans like to live today? Trends in the German furniture market

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Trinity of design, quality and material! The combination is important, not only in the high end segment.

Trends:

- Nature is capturing apartments and houses.
- Green passion is affecting the choice of materials.
- Unique copies are getting more and more popular.
  A new oak table looks different from the next one.
- Natural materials: Solid wood, veneer, leather, wool felt, coats of animals.
- Real glass instead of acrylic glass

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Photo: Scholtissek
Table „Fat Berta“ made of solid European walnut, Measures: 3,20 x 1,10 m. Weight: 200 kg.

Photo: Voglauer
The collection V-Linea is made of Wild Oak or Wild Walnut. Other materials are loden, leather and glass.

Trend:
Wall units are getting more flexible, more individual, more intelligent (more functions)

Photo: Gwinner

Photo: Decker

Variety of wood:

- Oak is Number 1!
- Share of Walnut stays stable.
- More combinations high gloss/wood (solid wood or veneer).

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Photo: Gwinner

Trends:
Sofas are getting smaller than in the past (single apartments).
Softed corners and curbs.

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Photo: Cor

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Trends:
3-2-1 Sofa sets are loosing market shares.
Less traditional seating arrangements (husband/father on armchair, wife and children on sofas).
Slogan of today: comfort for all!
Very popular: L-Form

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Photo: Koinor

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Photo: Dietsch

Sofas MUST convince by perfect functionality (Only in the low end sector you can sell sofas without function)

Photo: ADA

Photo: FM Munzer

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Upholstered beds: Mega trend boxspring

Photo: Oschmann

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Trends:
Loud colours are getting more and more popular.
Blue ist the newcomer of 2013.
Germans love white furniture. But the market share of white is decreasing a little bit. The share of dark grey is increasing.

Photo: Flötotto

Photo: Sudbrock

5. Technical Specification

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Sofas:

Height of seat is very different. Depending on design and target group (young = low, old = high).

- Height of seat: 38 to 48 cm.
- Height of back: 60 to 90 cm
- Seat depth: 55 to 80 cm, „big sofas": 100 cm and more.

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Foam density:
- 25 kg/cbm for seats
- 28 kg/cbm fort the back

The density of cheap sofas, sold in discount shops, is a little bit below.

Dining sets:

- Height of tables: 72/76 cm
- Size of table tops: popular is 90 x 180 cm (extendable to 240 cm)
- Height of chairs (seat): 45 cm

Coffee tables:

- Height up to 60 cm

Beds:

- Length (normally) 200 cm (can be modified to 190 or 210 cm)
- Width is 90/ 120/ 140/ 180 cm

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Wardrobe:

- Standard measures 225 x 222 x 60 cm.
- Standard height is 222 cm, reduced height is 216 cm.

6. Challenges

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Challenges:

1. Design
2. Quality
3. Reliability
4. Price
5. Flexibility
6. Acting local

Challenge 1:

Meet the specific taste of German consumers!

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Challenge 2:

Quality is not a question of price range!

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Challenge 3:

German buyers don’t allow mistakes!

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Challenge 4:

Price is decisive!

Challenge 5:

One container with one type of chair in one colour?
Flexibilty is the trump!

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Challenge 6:

German retailers prefer German partners!

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Final advise:
Be patient!!!

GOOD LUCK!