

FURNITURE PRODUCTION AND MARKET IN THE CZECH REPUBLIC

MARKET STUDY



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INTRODUCTION - SUBJECT OF THE MARKET STUDY

This market study is focused on furniture production and furniture market in the Czech Republic, including information on Czech manufacture of furniture, leading domestic producers, consumers behaviour and retail market.

Source of information were data from the Czech Statistical Office, Ministry of Industry and Trade, Ministry of Finance, researches conducted by specialized agencies and data from own research.



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1. SITUATION ON THE LOCAL MARKET

1.1 LOCAL PRODUCTION OF FURNITURE

The manufacture of furniture has had a long tradition, especially in Moravia. Popular in Europe as well as worldwide is bent furniture, medical furniture (hospital beds) and also kitchen furniture. Interesting solitary furniture has been recently produced by many Czech smaller manufacturers (for halls, living rooms etc.), which represents an assortment that used to be weakness of Czech production.

The manufacture of furniture in the Czech Republic is at present concentrated in medium-sized enterprises. Furniture is manufactured in all regions of the Czech Republic – but mainly in South Moravia and Zlín (due to a long tradition). South Moravia accounts for more than 20 % of total furniture production in the Czech Republic, the region of Zlín for more than 17 %. The third place belongs to the region of South Bohemia, followed by Vysocina Region and Central Bohemia.

Competition advantage of the Czech Republic is the domestic origin of raw materials and at the same time raw material being a renewable source. **Raw materials** are supplied to the furniture industry **by the Czech woodworking sector** with the exception of tropical wood and selected variety of materials which are imported incl. paints, varnishes, metal accessories, but their share on total supplies is of no great importance.

The branch still faces many problems which will have to be tackled in the coming period. This applies to the **improvement of technologies and production** and their consolidation into larger entities, the improvement of management and increase in profitability.

DEVELOPMENT OF MAIN PRODUCTION INDICATORS

Unit: mil CZK, persons	2007	2008	2009	2010	2011	2012
Output (receipts from sales) in current prices	40 405	38 609	31 596	30 500	30 909	31 320
Value added in current prices	11 538	11 548	10 142	9 717	9 372	9 247
Number of employees	29 271	27 453	24 462	22 577	21 413	20 306

Source: The Czech Statistical Office

The Czech furniture industry developed well until 2007 – 2008. Since the global economic crisis in 2009, the volume of production has been going down (in 2009 by one fifth). In the year 2012, slight increase of 1,33 % was recorded.

Concerning number of employed persons, the declining trend started in the year 2008 and still continues. The indicator of value added has been going down, which is not positive fact.

1.2 FUTURE DEVELOPMENT OF CZECH FURNITURE INDUSTRY

The branch currently should **focus on the modernization of factories and their effective concentration, and improvement of organization and management.**

From the assortment **and volume point of view in the manufacture of furniture, it is extensive.**

Big advantage of Czech furniture industry is **sufficient sources of the domestic raw material** – wooden mass, nevertheless, the investment activities have been still low and insufficient. Significant problems with investing are especially in small enterprises.

However, furniture industry as the whole have favourable prospectives to the future, not only to maintain existing positions but also to strengthen and enlarge them. Further expected advancement of the Czech economy will be to a great extent a decisive driving force accordingly, which should be accompanied by the growth of standard of living as well. It should be witnessed in such a way, that people in the Czech Republic will replace earlier especially living room and bedroom furniture. **The average time of utilization** of these kinds of furniture **is almost 20 years in CZ**, whereas in advanced countries of the **EU it is 10 years** on average, and then the furniture is replaced by new one.

1.3 MEDICAL FURNITURE

The Czech Republic is **net exporter of medical furniture (HS 9402)**. Exports from the Czech Republic in the year 2013 reached 124 mil. USD, while imports to CZ 15 mil. USD. Main export destinations are Germany, U.S.A., France, Russia, Brasil, Poland.

Market leader in medical furniture is Czech company **LINET** (www.linnet.cz) . Products of LINET Co. (hospital care beds and furniture) are sold in 67 countries. The turnover in the year 2013 reached 200 mil. USD, number of employees 600. LINET Co. is among top five leading exporters of hospital beds in the world. About 70 % of production goes for export. Since the year 2011, LINET has been part of LINET GROUP SE, the Netherlands.



2 TOP CZECH FURNITURE PRODUCERS

Among biggest furniture producers in the Czech Republic are following companies: TON, JITONA, KORYNA, and SYKORA.

TON, a.s. BYSTRICE POD HOSTYNEM

www.ton.cz

- domestic leader in bentwood furniture, chairs and armchairs
- one of biggest producers of chairs in the world
- chairs account for 95 % of production
- annual production of chairs reaches 1,5 million pcs
- 30 % of production goes to domestic market, rest abroad (to 40 countries)
- turnover in 2013: USD 50 million
- number of employees: 810
- operates network of own retail stores in CZ (15 stores)



JITONA, a.s. SOBĚSLAV

www.jitona.cz

- one of biggest producers of wooden and cushioned furniture
- established in 1954, when state enterprise with 23 production plants was created
- in 1991 was transformed into joint stock company
- number of employees: 640
- turnover in 2013: 48 mil. USD
- JITONA operates network of own retail stores and showrooms (8)
- JITONA uses 2 brands on Czech market: JITONA DESIGN COLLECTION and JITONA CLASSIC COLLECTION
- more than 80 % of production is exported
- main customer is IKEA



JITONA CLASSIC COLLECTOIN and JITONA DESIGN COLLECTION

KORYNA NABYTEK, a.s. KORYCANY

www.koryna.cz

- biggest producer of kitchens and medical furniture
- in kitchens controls more than one third of domestic market
- 60 % of production is meant for domestic market, rest for export (mainly to Slovakia, Russia, Bulgaria, Baltic States)
- number of employees: 110
- turnover in 2013: USD 25 million



SYKORA, s.r.o. VIZOVICE U ZLINA

www.sykora.eu www.sykora-kuchyne.eu

- one of biggest producers of kitchen units made to order (fitted kitchens)
- established in 1992
- new production plant was built in 2001 – top level of machines, technology, computer equipment, production is fully automated
- number of employees: 120
- turnover in 2013: USD 15 million
- exports account for more than 40 % of total production



3 **MARKETING INFORMATION**

3.1 **TARGET CONSUMERS**

The decisive factor in purchasing furniture is the performance in entire Czech economy. It relates mostly to increases in the scope of housing and industrial constructions, larger reconstructions and to general increases in standards of living. This would free up financial means, which could be used for purchase of furniture. According to Ministry of Trade and Industry, the accession of the Czech Republic to the EU (since May 2004) significantly helped these trends.

As for the target groups for furniture in the Czech Republic, two categories can be identified:

1. **corporate sector** (offices, schools, hospitals, hotels, restaurants etc.)

2. **households**

3.2 **CONSUMER BEHAVIOUR**

Demand for furniture in the Czech Republic can be classified into two categories:

- 1) **low-priced furniture made from lower quality materials and technologies** and sold mainly in big shopping centres – group of cheap furniture is not expanding. The number of customers who are interested in new opportunities is decreasing, as they are discovering that low-priced furniture does not correspond with the idea of a quality interior furnishing

- 2) **high quality furniture with attractive design, made from quality materials using state-of-art technologies.** New lifestyles are changing the former habits for furnishing flats. Travel, exhibitions, magazines and television contribute to the customers' knowledge and demands. General knowledge about materials is improving and the demand for materials with certain properties not harmful to one's health is on the rise.

Furnishing new flat

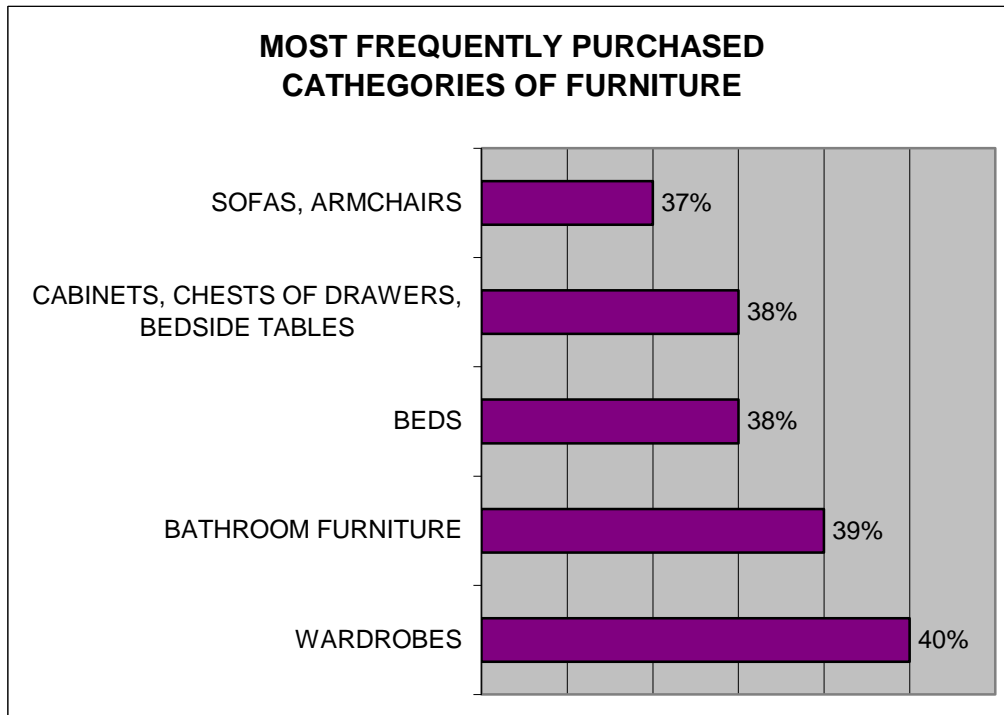
When furnishing new flats, people make it step by step. Most frequently, they start with a quality bed equipped with a quality frame and a compatible mattress. The number of customers who realize how important a bed is for their health, is increasing.

The kitchen, along with the bathroom, is at the forefront of interest not only in new households, but also in the renovation of old flats. Companies KORYNA NABYTEK (www.koryna.cz) and SYKORA Co. (www.kuchyne-sykora.cz) are biggest producers and exporters of kitchen furniture and control more than 50 % of domestic market in kitchens. In both cases, export accounts for more than 40 % of the total production. Competition between producers is constantly increasing quality. The bodies of the kitchen units are made not only from chipboard materials, but also from quality laminated wood. Materials used for the doors and the fronts of the full pull-out drawers, which have replaced the former, inaccessible internal shelves, are hard specially processed fibreboard, three- and five-layer bioboard, perforated boards in frames, toughened glass in frames etc. New designs are being sought for better utilization of space, and also drawers and doors, that close silently. Stone, CORIAN, and other current materials are used for the top boards, the work surfaces are lit by built-in cool safe lights.

Metal is making a re-appearance in flats again (the comfortable living of the 1920s is returning in new materials) on appliances, handles, edges and legs of kitchens, on the legs of upholstered furniture, on the visible parts of armchair structures.



Based on the latest research of INCOMA GfK market research agency, the breakdown of the different categories of furniture purchased most frequently by Czech customers in the year 2013 was as follows:



Source: INCOMA GfK

4 CZECH RETAIL MARKET

According to latest research of INCOMA GfK market research agency, **75 % of Czech customers prefer buying furniture in large specialized stores**. Key players on the Czech market are 7 large international chains stores selling furniture and home accessories.

INTERNATIONAL CHAINS SELLING FURNITURE IN THE CZECH REPUBLIC

COMPANY	TURNOVER in 2013 (bil. CZK)	NUMBER OF STORES
IKEA	7,22	4
KIKA	1,83	7
JYSK	1,69	69
XLMX Co. (XXXLutz and MOBELIX stores)	1,67	1 XXXLutz 8 MOBELIX
SCONTO	1,59	8
ASKO	1,34	11

Source: INCOMA GfK

Market leader in terms of turnover is IKEA, leader in number of branches is JYSK, that operates 69 stores in the Czech Republic.

Some of big Czech furniture producers have networks of their own retail stores and showrooms, such as companies TON or JITONA.

Big international companies import the furniture directly through their purchasing departments (centralized for whole Europe)

Among leading direct importers of furniture and accessories from Thailand (mainly teak, water hyacinth etc.) is for example DETAIL RATTAN Co. (www.detail-rattan.cz) or HD NABYTEK (www.hd-nabytek.cz). Thai furniture and accessories can be also purchased in IKEA (IKEA is buying furniture through centralized purchasing department).



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