

PRESS RELEASE

New Report: Bathroom Market – France 2007

The French bathroom market was worth an estimated €1.9 billion in 2006 and will see growth of almost £125 million in the next 3 years, according to the first edition of the report “**Bathroom Market – France 2007**”, published by AMA Research. The report, which is available to purchase for £625 from www.amaresearch.co.uk, reviews the entire bathroom market in France, offering a comprehensive analysis of both the overall market and its main product sectors, including baths, sanitaryware, showers, brassware, furniture and accessories. The report provides market size estimates by product sector, clear analysis of the major market and product trends, profiles of the main manufacturers and distribution channels with their respective market share, and forecasts of future prospects up to 2009.

The research for the report found that the French bathroom market has experienced modest levels of growth during the last two years of around 3%, although the performance of each product sector has varied. The main growth engine of the bathroom market has been the shower sector, benefiting from the increasing popularity of showering and the relatively low household penetration. The bathroom furniture sector has also performed well and has achieved higher annual growth than the overall bathroom market in recent years. However, intense price competition has negatively impacted on the sanitaryware and brassware sectors, which have experienced lower growth in value terms. While the success of showering has impacted on bath sales.

The report states that, despite an uncertain economic climate, the bathroom market has benefited from buoyant household consumption and a range of government incentives in the new build and RMI sectors in recent years, in addition to consumers trading up to higher quality products. However, value growth has been constrained by the growth of imports from lower value sources, and the increasing strength of the DIY multiples in the distribution of bathroom products.

Regarding product developments, significant improvements have been made in terms of quality and design. Contemporary styles dominate virtually all the product sectors within the bathroom market, with the key areas of differentiation including the wide range of shapes, materials and colours. Another major trend is towards “wellness”, with the bathroom increasingly viewed as a refuge dedicated to relaxation. Wellness products such as whirlpools/spas and particularly hydro/steam showers have gained in popularity in recent years.

Ideal Standard (Porcher) and Kohler (Jacob Delafon, Sanijura) are among the major manufacturers present in all sectors of the market. The builders and plumbers merchants remain the main distribution channel of bathroom products, but have faced increasing competition from other channels, including DIY multiples. The cuisinistes/bainistes (vertically integrated kitchen bathroom specialists) have gained share in recent years, mainly in the bathroom furniture sector, but continue to account for a small proportion of the market.

AMA’s report also provides an insight into future prospects for the French bathroom market, and states that stable household consumption, an increasing level of RMI activity, as well as the development of higher quality/specification products, all support an optimistic outlook for this market to 2010. The shower sector presents the best growth potential and bathroom furniture should also experience healthy growth. The sanitaryware and brassware sectors are likely to benefit from good levels of replacement purchases, although the high level of imports in these sectors is likely to constrain value growth.

AMA Research’s “Bathroom Market – France 2007” report is available in hard copy or electronic format for £625 and can be ordered online at www.amaresearch.co.uk or by calling 0871 3103450.

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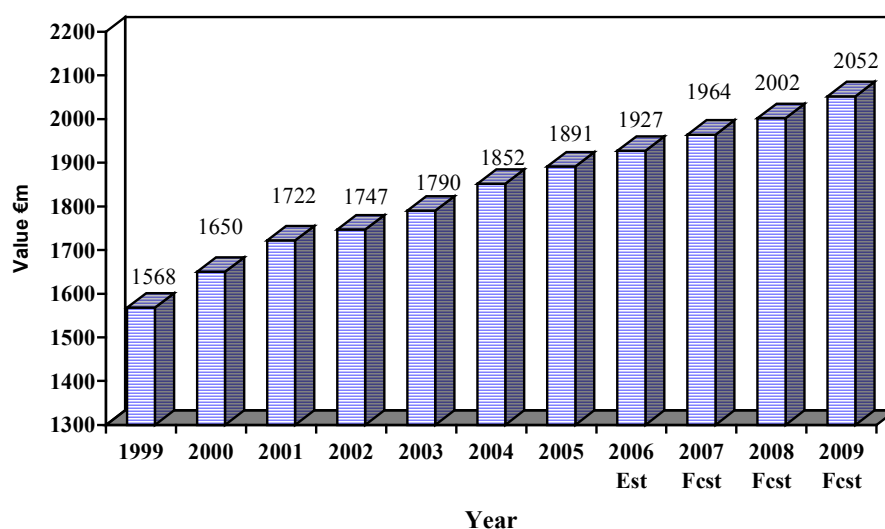
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Summary

The French bathroom market is the 4th largest in Europe and was worth around €1.92bn in 2006. The household penetration of bathroom products increased considerably in the 1980's and 1990's. Prior to this, the bathroom largely remained a secondary and somewhat neglected room, with the main focus on the kitchen.

Overall Bathroom Products Market - France (€m MSP)



Source: AMA Research/Trade Estimates

During the latter half of the 1990's and into 2000, the French economy performed well, with strong GDP growth, low levels of inflation and high consumer confidence, all supporting household expenditure. In September 1999, a reduced rate of VAT on RMI works was introduced, which prompted an unusually high level of RMI activity. These favourable conditions supported the growth of the bathroom market up to 2001.

However, in 2002 and 2003, the level of competition in the bathroom sector intensified, with an increasing number of manufacturers entering the market and a growing level of imports from lower cost sources. The lower levels of RMI expenditure also negatively influenced the overall value growth of the bathroom products market.

2004 was a good year for both the French economy and the bathroom market. The bathroom market achieved slightly higher growth, supported by improved economic conditions, higher RMI expenditure and a significant increase in the number of construction starts in the housing sector.

However, these positive conditions failed to continue into 2005 and the overall bathroom market experienced lower growth. This was due to a slowdown in the economy, static levels of RMI expenditure and a slowdown in the growth of construction starts compared to 2004. In addition, the increasing strength of the DIY sector, along with the growth of lower cost imports also influenced the value growth of the bathroom market.

The economic situation was slightly more favourable in 2006, which supported the growth of the bathroom market at similar levels to 2005. The bathroom market should remain stable in 2007, although many macro-economic factors, including potential further interest rate rises, could impact on consumer confidence and spending.

In terms of the product mix, the brassware sector continues to account for the largest share, with approximately 26% of the market by value, followed by the sanitaryware sector, with around 18%. However, it is noteworthy that these sectors have lost share in recent years, with both markets relatively mature and suffering from intense price competition.

Both showers and furniture have performed well in recent years with the shower sector experiencing an increase in share from 13% to 15% since 2001, while the furniture sector now accounts for 17% of the overall market in value, compared to 16% in 2001. The increasing popularity of showers is affecting the growth of the bath sector, with bath sales fairly static in recent years.

The shower market has notably benefited from higher levels of installation in new build dwellings. Showers are also replacing baths in refurbishment projects to an increasing degree. Despite higher levels of price competition in recent years, the shower market is likely to experience healthy levels of growth in the short to medium term.

The furniture market has also benefited from higher levels of installation, particularly in the new build sector. Most new build dwellings are equipped with a worktop or a vanity unit, the latter being particularly common in higher value properties. Value growth has also been supported by the significant improvements made in this sector, both in terms of quality and design.

In terms of distribution, the building and plumbing merchants account for around 60% of the market. Although they have lost share in recent years, they remain the main distribution channel of bathroom products. The DIY sector has progressed significantly and now accounts for approximately 34% of the market in value.

The merchants are usually stronger in the distribution of heavy bathroom products which require professional installation, while the DIY multiples focus on the distribution of lighter bathroom products which can be easily installed by individuals. The merchants also tend to offer higher quality products, compared to DIY multiples, which are more focused on the lower end of the market. Both merchants and DIY multiples however have been expanding their catalogues in order to reach a wider range of consumers.