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PRESS RELEASE

Growth in UK bedroom furniture market despite intensifying competition

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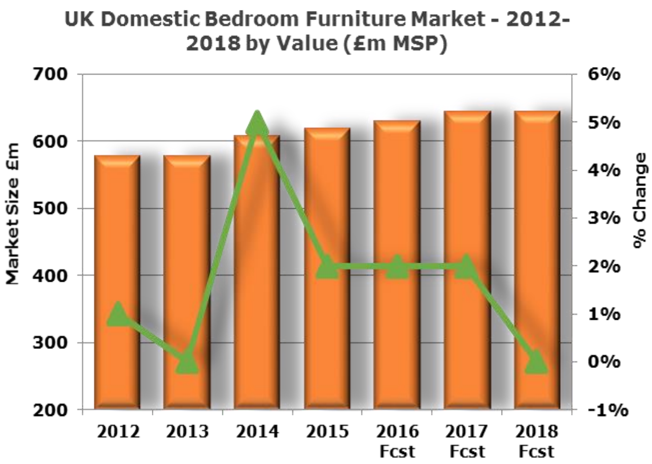

Following strong growth in the bedroom furniture market during 2014, the market grew by a modest 2% during 2015, with similar rate of growth forecast for 2016/17. Factors supporting market growth have included an improvement in the housing market, higher consumer confidence levels and a surge in imports in 2014, with China, Vietnam and Poland responsible for much of this increase. Bedroom furniture is estimated to account for a declining share of approximately 12% of the overall UK domestic furniture market.

A number of underlying factors are influencing sales of domestic bedroom furniture, including a greater number of smaller households, a continuing demand for new housing and a new generation of children and teenagers, who require more than just a bed and a cupboard, but a more complex arrangement of storage solutions to cope with their increasingly technological environment, incorporating laptops, televisions, DVD recorders, Xboxes etc. Storage remains a key issue for most UK householders, and the demand for practical storage solutions as well as modular and fitted products and sliding wardrobe systems, have also grown in recent years. In addition, there is an increasing focus on flexible and multi-functional furniture that can be used to maximise space.

In addition, the shift to the private rented sector will also be a factor influencing the nature of the buying population for bedroom furniture. The rental market has nearly doubled since 2002, and continued growth in this sector seems likely to increase the proportion of the buying population focused on lower cost products, particularly short to medium term tenants, and landlords. Factors that have had a negative impact on sales of bedroom furniture include an increase in home working, which can place pressure on bedroom living space within the dwelling, and price erosion. While the rapid penetration of low cost imports from the Far East and Eastern Europe has driven down prices and margins in most sectors of the furniture market, the import penetration level is at its highest in the bedroom sector.

Competition has intensified in the retail sector in particular, where the leading established players have seen grocery multiples gain share through the adoption of 'click and collect' business models, and online specialists becoming more significant. In terms of distribution share for bedroom furniture, retail specialists account for the bulk of the market, followed by furniture multiples and department stores/variety chains. Growing competition in a sluggish market has also been reflected in the continued high level of liquidations seen in the sector, both at manufacturer and retail level. In the fitted furniture sector of the market, however, many suppliers are vertically integrated companies, involved in the design, manufacture and installation of their own furniture, often marketed through their own retail outlets or via concessions in other stores.

In overall terms, bedroom furniture remains a mature market, although future demand will be driven by a steadily increasing number of households and greater pressures on space utilisation and flexibility. Market conditions are likely to remain very competitive in 2016, but this should improve in the medium term, although they are unlikely to provide high levels of growth, as imports continue to drive down prices and margins.

"Most of the future growth within the bedroom furniture sector is expected to come from the fitted furniture sector and also the lower end of the market, driven by companies such as IKEA, Argos and Tesco focusing on affordability and innovation supported by a wide distribution network" said Keith Taylor, Director of AMA Research. *"The market remains highly competitive and smaller independent retailers will continue to feel both economic pressures and a threat from national retailers".*

Prospects for the next 5 years are likely to remain mixed for the overall furniture industry, with forecasts showing modest volume growth in the shadow of an exit from the EU and the economic consequences thereof. The bedroom furniture market is also forecast to show some growth in the next few years, albeit at a slower rate than the overall furniture industry and is estimated at around 2-3% in value terms, per annum.

The **'Domestic Bedroom Furniture Market Report – UK 2016-2020 Analysis'** report is published by AMA Research, a leading provider of market research and consultancy services within the construction and home improvement markets. The report is available now and can be ordered online at www.amaresearch.co.uk or by calling 01242 235724.

Editor's Note:

If you would like to receive further information or wish to speak to an author of this report, please contact Anna Eriksson or Keith Taylor on (01242) 235724.

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