



International  
Market  
Strategy

# NEWSLETTER

## BATHROOMS

March 2006

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**COUNTRY SPECIAL: Middle East**

International strategic market research and  
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## **US: TOTO forges US toilet revolution**

*February 1<sup>st</sup> 2006*

Japanese company TOTO is to open a factory in Mexico. The company, that produces luxury heated toilet seats, will open the factory to keep up with surging demands in the US.

Toto said that the move would help it lift sales of its washlet toilet seats, which transform into a warm water-spraying bidet at the touch of a button. TOTO claims that the factory will be able to produce 400,000 toilet seats a year by 2008.

For the washlet toilet seats it is somehow a return home, as the product was originally created in the US before the patent was bought by TOTO in the late 1960s. TOTO claims to have sold more than 17 million washlet seats worldwide.

*Source: BBC website*

## **SAUDI CERAMICS CO 2005 profits down to €18.4 million**

*February 2<sup>nd</sup> 2006*

SAUDI CERAMICS, the producer of ceramic tiles and water heaters posted a net profit of €18.4 million, compared to €23.6 million in 2004. The decrease however was attributed to the fact that the 2004 profit included extraordinary income of €9.4 million generated from the sale of its stake in the SAUDI INDUSTRIAL INVESTMENT GROUP.

*Source: Saudi Arabian News Digest*

## **Poland: SANITEC to construct a new factory in Poland**

*February 15<sup>th</sup> 2006*

SANITEC wants to invest €26.5 million in the construction of a bathroom ceramics factory in Kolo, Poland. The new factory will be situated next to the operating works and distribution centre and will create jobs for 250 people. The factory is supposed to start production in the first half of 2007. The Wloclawek and Kolo factories combined will be able to produce 3 million pieces of ceramics annually, which the company hopes will go help in expanding its exports..

*Source: Polish News Bulletin*

## **Mexico: VILLEROY & BOCH carries out an acquisition in Mexico**

*February 1<sup>st</sup> 2006*

VILLEROY & BOCH, the German ceramics group has acquired the entire bathroom equipment operations of Mexican company GRUPO INDUSTRIAL SALTILLO for an undisclosed price. This deal included three factories with an annual turnover of around €51 million and a workforce of 950 people. The acquired operations sell their products under the VITROMEX and ST THOMAS CREATIONS brandnames.



Sales to the US accounted for around 45% of annual turnover of the company now acquired by the German group. The deal still needs to be approved by the anti-trust authorities. The US is already VILLEROY & BOCH's second-largest foreign market after France.

*Source: The financial times*

### **UK: ROCA to expand warehouse capacity**

*February 9<sup>th</sup> 2006*

ROCA UK is expanding their Midlands warehouse with an investment of €1.5 million. The construction, which is due for completion this spring, will increase the warehouse space by 50%. A ROCA spokesman said: "although last year's rising interest rates have adversely affected some of our competitors, our sales have actually increased year on year, and with more growth forecast, we need to expand our warehousing facilities accordingly".

*Source: Birmingham Post*

### **Australia: trade up buyers and aggressive builders will keep the bathroom industry on the boil**

*February 15<sup>th</sup> 2006*

The housing Industry Association's annual kitchen and bathroom report states that an estimated 443,600 kitchens and 668,200 bathrooms are forecast to be installed in 2005/2006. HIA chief economist Simon

Tennent said that while this was down slightly over previous years, the push to higher quality, better appointed kitchens and bathrooms continued. Mr Tennent said that multiple basins and taps in bathrooms were increasing in popularity as were lever mixers, shower heads and premium tapware.

*Source: Redcliffe Bayside Herald*

### **Australia: Self Cleaning Bathroom on the way**

*February 10<sup>th</sup> 2006*

Scientists in Australia have developed an environmental friendly coating containing special nanoparticles that could do the job of cleaning and disinfecting for us. Before the use of self cleaning materials was only limited to outdoor usage as ultraviolet light was required to activate molecules in the coating. However, the new coating can absorb light at the higher wavelengths in visible lights, such as bathroom light.

Lab experiments revealed that the new coating could kill bacteria e. coli and degrade volatile organic compounds in visible lights. The oxidising properties also mean fungus cannot grow on the surface. Also, because the coating is hydrophobic – it does not like water- the water simply slides away carrying any dirt with it, rather than gathering as droplets.

*Source: BBC website*



## **Nordic: SANITEC to coordinate shower production in Nordic countries**

*February 22<sup>nd</sup> 2006*

SANITEC has decided to restructure its shower production units in the Nordic countries. Instead of the two production facilities, Norrtälje and Mörrum, which it now has in Sweden, SANITEC has decided to concentrate production only at the Mörrum facility. Consequently the Norrtälje unit will be closed, and consultations with the employee representatives will take place.

The decision was taken for strategic reasons, with larger units being considered more cost-effective and profitable in the long run. The company considered two alternatives; the Mörrum alternative or a new facility in a low-cost country. The company chose Mörrum as it believed that it was crucial to maintain production in close connection with its market and to secure delivery performance

*Source: [www.sanitec.com](http://www.sanitec.com)*

## **UK: MFI set to detail new structure**

*February 20<sup>th</sup> 2006*

MFI, the furniture retailer, has announced a restructuring programme, including the sale or closure of stores. The company is considering options including the sale of its 29-store Sofa Workshop chain, an exit from the low-margin bathroom market, as well as store closures.

The management still has to put the final strategy in place, but Richard Ratner, head of research said that a retreat from the bathroom market would make sense because of the sector's low margins. He added that MFI lost market share to HOMEBASE because it had focused too much on upmarket customers, losing sales up to 40% in recent months.

*Source: Financial times, Birmingham Post*

## **US: AMERICAN STANDARD delivers record full year sales**

*January 31<sup>st</sup> 2006*

The AMERICAN STANDARD group had sales of over €8.5 billion, up 7.9% on the previous year. Although sales increased overall, the kitchen and bathroom sector of the company saw a small decline. The overall sales of kitchen and bathroom products were around €485 million, down 4.7% compared to last year.

The decline in this segment was caused by lower volume and poorer mix, higher commodity costs, investments related to product launches and unfavourable exchange rates. These declines exceeded benefits from materials savings, higher pricing and previous operational consolidations. It has initiated actions that will improve its performance in 2006. It reduced ceramics stock, improved availability of higher value products in Europe, reduced the number of models in Europe, made progress on product



launches and planned a price increase for the first quarter.

*Source: PR Newswire*

### **Taiwan: GLOBE UNION sees sales top €250 million**

*February 6<sup>th</sup> 2006*

GLOBE UNION, Taiwan's leading manufacturer of sanitary ware, kitchenware, bathroom furniture and related hardware products, witnessed its revenue break the €250 million (NT \$ 10 billion), up 3.6% compared to 2004. In December alone, the company's revenue hit a record monthly high of €26.7 million, 18.9% higher than in the previous year.

Although sales revenue in Taiwan declined slightly by 3.8%, the overseas activities in North America, Europe and China showed pretty good performance.

*Source: Taiwan Economic News*

### **China: Increasing effort of sanitary ware manufacturers in China**

*February 22<sup>nd</sup> 2006*

Top ranking sanitary ware manufacturers like Japan's TOTO and Spain's ROCA have intensified their efforts in promotion, brand development and the launch of new products in Shanghai as the traditional peak season for decorating is coming.

ROCA mainly launched its promotion activities in building material retail super

stores such as B&Q CHINA and HOMEMART in the form of price promotion, while TOTO focused more on the marketing of new products and advertising on television.

Previously the top brands were aimed at the higher segments in the market, like refurbishment in star rated hotels, but this is now changing.

*Source: SinoCast China Business Daily News*

### **UK: TWYFORD to review Alsager production facility**

*February 16<sup>th</sup> 2006*

TWYFORD bathrooms have begun to restructure its Alsager production facilities. The restructuring is being carried out to focus more on design and manufacture of more complex products, and also because of pressure from cheap overseas competition. Up to 195 employees might lose their jobs.

*Source: The Sentinel, Hugin Press Release*

### **UK: LUCITE for sale**

*February 1<sup>st</sup> 2006*

UK buyout shop CHARTERHOUSE CAPITAL PARTNERS has hired DEUTSCHE BANK AG to auction off acrylic products maker LUCITE INTERNATIONAL LTD. for an estimated value of €2.1 billion. LUCITE is the global leader in the



production of methyl methacrylate, or MMA, which is the basic ingredient of acrylics. LUCITE has a 25% share of the MMA market and its patented brands include LUCITE, PERSPEX and TUFCOAT.

LUCITE has 16 plants in nine countries, and recently invested €125 million on a new production facility in China. It is also building a plant in Singapore to produce cheaper acrylics using a new manufacturing method.

*Source: TheDeal.com*





Oman has an estimated 3 million inhabitants, which will rapidly increase and is expected to double every 20 years. The latest figures show a housing park of around 340,000 occupied houses, a number that is expected to increase quickly in the coming years. This means that most bathroom products are bound to increase, especially as the replacement market is very small, even compared to the other GCC members. Oman is more directed towards baths, with the shower trays market only growing marginally (compared to the other products).

Kuwait has 2.8 million inhabitants, of whom 90% live in or around Kuwait city. The country saw very strong growing markets in the 90s after the Gulf War, after which growth within the bathroom market declined, albeit slowly. Kuwait, although having become quite stable is at the moment also entering a more tourist attracting approach, in which they also plan an island (like Dubai) with all tourist attractions. Focusing more on tourists is expected to have a good impact on the overall bathroom market development.



Saudi Arabia is easily the largest country within the GCC, having an estimated 23.3 million inhabitants. The country is growing fast in terms of populations, with most of the growth expected to come from this increase, although the number of businesses settling in Saudi Arabia is also still rising. In general only around 50% of the population has actual running water, and although the government is trying to increase this, many people are still supplied by water trucks or wells. Compared to other GCC states, the number of shower trays is fairly high, especially compared to the baths market.

UAE counted 2 million inhabitants in 2005, including foreigners living there. This country is growing extremely fast in terms of construction output, particularly Dubai. Within the UAE, most growth comes from the fast increasing tourist and business industries. The market for bathroom products has also been growing for over a decade, and is expected to continue and even gather momentum in future years. Most of the bathroom products go to new construction.





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Bahrain, the smallest country of the six GCC member states with around 600,000 inhabitants, is the most stable country in the region. The output levels showed a slightly stronger increase in 2001, when the USA stationed many soldiers in the country, but it is on average very stable and only showing marginal growth rates compared to the other five member states. The total bathroom market is small, especially when you compare it to other relatively small countries such as Qatar.

Qatar with 860,000 inhabitants is the richest state of the six GCC members. The state has in recent years had problems providing housing for all its inhabitants, sending house prices really high. However it is trying to change this and it is expected that in the next few years these will be showing enormous growth in construction output. The inhabitants of Qatar are generally so rich, that the average number of pieces of bathroom products going into their houses is relatively large as they tend to have several bathrooms.



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