



International
Market
Strategy

NEWSLETTER

BATHROOMS

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CONSULT GB NEWS

COUNTRY SPECIAL: RUSSIA

International strategic market research and
consultancy on building product and related markets



France: SAINT-GOBAIN ceramics division to cut 174 jobs

SAINT_GOBAIN's ceramics division, SAINT GOBAIN CERAMIQUES AVANCEES DESMARQUEST (SGCAD), is to close two factories and cut 174 jobs in France, according to labour union sources, who said the plan will be presented officially to the company's works council tomorrow.

The production sites at Montrueil and Courtney, which manufacture glass-cutting blades, are to close entirely, while a further two factories at Evreux and Moissey-Cramayal will be merged into one.

The plans triggered strikes today in three of the four factories affected by the plans, and there have been protests at SGCAD's headquarters outside Paris.

Source: [AFX International Focus](#)

Czech Republic: GRUND gets €5.8 million order from German KAUFHOF

Czech bathroom accessories producer and distributor GRUND, based in Mlade Buky, eastern Bohemia, has signed a 750 million Czech crowns (€25.8 million) contract to supply German department store chain KAUFHOF, operated by retail group METRO AG.

Under the four-year contract GRUND will supply bathroom mats and other products. The Czech company will start deliveries at the end of September 2005, its director Jiri Grund said.

GRUND plans to create 40 new jobs and expand production at its plant in Mlade Buky.

The Czech company sells its products on the German market through its subsidiary GRUND DEUTSCHLAND, which will employ nearly 60 people as a result of the contract with KAUFHOF.

GRUND was founded as a family company in 1990. Currently the GRUND GROUP includes GRUND, GRUND DEUTSCHLAND, bathroom mat producer GRUND TEXTIL and acrylic yarn spinning mill GRUND SPINNING. The group's total turnover reached 300 million crowns (€10.3 million) for 2004. GRUND GROUP has some 165 employees.

Source: [Czech News Digest](#)



India: India urged to drop ban on foreign-owned retail outlets

European and U.S. experts urged India - one of the few countries offering major opportunities to big western retailers - to lift its ban on foreign-owned outlets. Opening up India to international retailers has been the dominant theme at the country's biggest retail convention, a two-day gathering in Mumbai, or Bombay, that ended after bringing together more than 1,000 retailers, leading mall developers and consumer product companies.

“In Germany and Europe we have reached saturation,” said Bernd Hallier, the president of EUROSHOP, the world's leading retail trade fair, which is held annually in Germany. “India and Russia are emerging markets, and in India there is an explosion in the economy,” he told those attending the convention. “It's a market for big investment.” Hallier cited as evidence of growing interest in India that five European retailers accompanied him to the convention and 20 more were expected next year. India bumped Russia from the No. 1 spot as the most attractive destination for retail investment in this year's Global Retail Development Index, an annual report by management consulting firm A.T. KEARNEY which released in July.

A quick glance at the numbers makes it clear why companies like U.S. chain WAL-MART STORES INC., Germany's METRO AG and Hong Kong's GIORDANO INTERNATIONAL Ltd.

have expressed interest in entering the Indian market.

India's economy has grown about 6% a year over the past decade, producing a middle class - estimated to be as large as 300 million people - which is driving demand for western consumer goods. Some 300 new malls are being built in Indian cities and there are plans for 1,500 new supermarkets and 325 large department stores over the next few years, conference organisers say. “People are ready to spend more now and are more brand-conscious in India,” said Ishwar Chugani, Giordano's Dubai-based executive director.

But among foreign companies, “there's still a perception of government regulation and bureaucracy - this needs to change,” he said. The laws banning foreign investment are largely there to protect the more than 12 million family-owned shops which dominate the \$206-billion Indian retail market. However, Prime Minister Manmohan Singh has recently expressed support for opening the market.

The Mumbai convention is meant to encourage foreign investment and prepare India's retail industry for international competition.

Source: The Canadian Press



UK: TRAVIS PERKINS hit by fall in DIY sales at WICKES

BUILDERS merchant **TRAVIS PERKINS** has axed hundreds of jobs amid a sales slide at its recently acquired DIY store chain **WICKES**.

The company, led by chief executive Geoff Cooper, said last month's interest-rate cut had done little to boost spending on home improvements. Further borrowing cost reductions would probably be needed before the DIY market recovered. He did not expect a pick-up for a further 12 months.

To counter the tough trading environment, Travis has shed 735 staff in the past year and is looking to cut a further 150, largely from the **WICKES** head office in north London.

Rival chain **B&Q**, owned by **KINGFISHER**, has also been hit by the DIY gloom and is expected to tell staff 400 jobs will go at its Southampton head office. **TRAVIS PERKINS** bought **WICKES** for £950 million in February, just as the housing market and high street spending cooled. Shoppers have held back particularly on bigticket items such as kitchens and home extensions.

Underlying sales at the 171 **WICKES** stores were down 7.4% in July and August, accelerating from a 4.2% decline in the six months to June 30.

Mr. Cooper insisted the group had made good progress in integrating **WICKES**.

The core merchandising operation was performing well but steps were being taken to "improve the attractiveness of the **WICKES** proposition" to attract more DIY enthusiasts and women shoppers. Home decoration ranges would be widened.

Source: The Daily Express



Vietnam: DK ENCO COMPANY invests \$5 million in sanitary ceramic plant in Vietnam

South Korea's DK ENCO COMPANY has recently decided to invest \$5 million building a high-grade sanitary ceramic plant in the Cau Nghin Industrial Park in the northern province of Thai Binh.

"The factory will export 50% of its output to South Korea and other Asian market," said DK ENCO director Yang Sik Shim.

"We choose to invest in Cau Nghin Industrial Park because it is adjacent to the National Road No.10 and is not very far from Haiphong Port," he said.

Covering 97.5 hectares, the industrial park will focus on attracting enterprises operating in such industries as clothing, footwear, engineering, electronics, telecoms and farm produce processing.

Investment projects in the industrial park are currently exempt from corporate income tax for the first six profit-making years and are offered a reduction of 50% for the following eight years.

Source: Vietnam Newsbrief Service

UK: QUALCERAM swings into first-half loss

QUALCERAM SHIRES PLC, the bathroom suites manufacturer and distributor, said it swung into a pre-tax loss from a profit in the first half as intense industry price competition aligned with weakening housing markets in both the United Kingdom and Ireland.

For the year to June 30, 2005, the company made a pre-tax loss of 3.38 million against a profit of 3.11 million a year earlier as sales fell to 49.7 million from 52.9 million previously. Apart from poor market conditions, the results were also hit by restructuring at the group's Longton plant in Stoke on Trent.

'Despite current challenges, many of which are outside of the Group's control, we are confident, with the backing a strong balance sheet and a highly cash generative business, of adapting to current and anticipated market forces to ensure the group remains on a strong footing,' said chief executive John O'Loughlin.

Source: AFX UK Focus



Turkey: KALE SERAMIK annual exports at \$100 million

Turkish ceramics maker Kale Seramik exports products worth \$100 million (€1.8 million) a year, the general director Remzi Gula said on August 29, 2005.

The company, based in Can, north-western Turkey, exports to 60 countries including Saudi Arabia, Canada, Russia, the United States, Germany, Japan and Israel.

KALE SERAMIK offers 11 ranges of products in 4,500 colours and models. Its factories produce annually 65,000 million m² of covering materials, 15,000 tonnes of insulators, 35,000 tonnes of frit, 600,000 units of vitrified ceramics and two million tonnes of ceramic raw material.

Source: Turkish News Digest

Poland: KILION INTERNATIONAL to build ceramic products plant

Polish-Spanish joint venture KILION INTERNATIONAL SL will build its ceramic products plant in Opoczno, in central Poland, the company said on August 29, 2005.

KILION INTERNATIONAL SL will pay 900,000 Polish zloty (€22,000) to Opoczno authorities for a 12-hectare land plot on which the new plant will be constructed.

Earlier, QUIMICER POLSKA, the Polish unit of Spanish building materials manufacturer QUIMICER, purchased a 15-hectare land plot in Opoczno for more than 1.0 million zloty (€46,000).

QUIMICER POLSKA, which is a business partner of KILION INTERNATIONAL, plans to invest €10 million in the building of its glaze and improve factory, logistics centre, office building and laboratory in Opoczno.

Source: Polish News Digest



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Germany: VILLEROY & BOCH to spin off division

VILLEROY & BOCH, the German ceramics group, is planning to spin off its tiles business into an independent subsidiary on 1 January 2006.

Around 1,000 staff are employed in the division. The plans will allow the burden on the division to be eased and a restructuring programme carried out, which is intended to achieve savings of over 10m euros.

Source: Financial Times Deutschland

Germany: FRANKE acquired GROHE's AQUAROTTER subsidiary

FRANKE, the global kitchen and catering equipment provider, acquired AQUAROTTER GMBH., the leader in special sanitary fittings and water management systems in Germany. The company, which is based in Ludwigsfelde, near Berlin achieved €45 million turnover in 2004, employing 288 people. FRANKE has 7,500 employees worldwide, operating via 85 subsidiaries in 39 countries. The company generated consolidated sales of CHF1.6bn in 2004.

FRANKE takes over AQUAROTTER from GROHE, which is the largest European manufacturer of sanitary fixtures, employing 5,800 people, of which 4,300 are based in Germany.

Source: www.franke.com



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Ukraine: TERMAL SERAMIK to build production plant

The Turkish TERMAL SERAMIK ceramic tiles producer plans to build a ceramic tile manufacturing plant in Orikhiv, in the Zaporizhia region. The investment is estimated to reach \$50m and the company plans to complete it by 2008. Construction is set to start in 2005 on the territory of the Orsilmarsh plant, which produced agricultural machinery.

The factory will have an annual capacity of 20 million m², with 65% of the necessary raw materials to be sourced locally.

Source: www.ukranews.com

USA: GEBERIT shuts down its Chicago plant

The Swiss GEBERIT AG closed its production plant in Chicago, which it acquired in 2002, as part of CHICAGO FAUCETS.

GEBERIT's North American sales account for 6% of its overall sales and by this move intends to improve its profit margins for 2006, after its sales decreased by 3% in the first half of 2005.

Source: **Swiss News Digest**



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Croatia: ZALAKERAMIA sells INKER TRGOVINA

The Hungarian tiles manufacturer ZALAKERAMIA has sold its Croatian INKER TRGOVINA subsidiary to an undisclosed buyer.

ZALAKERAMIA sold INKER just weeks after it increased its stake in the company from 70% to 100%. The Croatian company is estimated to have been sold under its value, as it wrote off HUF 2bn in depreciation in its 2004 annual report.

Source: MTI

Spain: New BRICOR DIY stores

EL CORTE INGLES, the country's largest hypermarket operator is entering the DIY business with its BRICOR branded stores.

The company plans to open its first DIY outlets in Madrid, Barcelona, Valencia and Seville.

Source: DIY Global



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Spain: Ceramic exports are increasing

Spanish ceramic exports accounted for €1.024 billion in the first half of 2005, up by 3.3% compared to the same period last year.

Spanish ceramic exports to EU countries increased by 6.6% to reach €64.1 million. Exports to Eastern European countries increased from €4.8 million to €15.2 million.

Import of ceramics increased by 3.2%, to reach €45.5 million. The main source country is Italy (€27.2 million), followed by China (€8.6 million) and Portugal (€5.3 million).

Source: www.panorama-actual.es

Ukraine: PRAKTIKER opens first DIY store

The German PRAKTIKER DIY store chain is set to open its first outlet in Ukraine in 2006 in the country's capital, Kiev.

The company plans to open around seven DIY and builders' stores in Ukraine in two years. PRAKTIKER will offer a large selection of building products, with an emphasis on sanitary and plumbing products.

Source: **DIY Global**



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CONSULT GB NEWS

CONSULT GB has now published several of its updates on the bathroom markets in Europe. Completed reports, with market summaries and figures, are available for the following countries:

Western Europe (16):

- France
- UK
- Germany
- Italy
- Spain
- Belgium
- Netherlands
- Austria
- Switzerland
- Portugal
- Greece
- Ireland
- Denmark
- Finland
- Norway
- Sweden

Eastern Europe (14):

- Russia
- Poland
- Czech Republic
- Slovakia
- Hungary
- Romania
- Croatia
- Rep Slovenia
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Country Special: Russia

Background

The Russian Federation (RF) covers a total area of 17,075,400 k m², making it by far the largest country in the world, situated in the North of Europe and Asia. The climate in Russia varies considerably.

Russia is divided into 7 federal districts (since May, 2000), including:

- Central
- North West
- South
- Privolzhje
- the Urals
- Siberia
- Far East.

Russia also consists of smaller federal units. 55 are provinces organised on a purely territorial-administrative basis (oblasts and krays). 32 are formed on a principle of ethnicity (21 republics, 1 autonomous region and 10 autonomous okrugs). Each of the federal units has its own administrative capital: they are run by a governor and a regional government. Republics are run by a president and government of the republic. Federal units are subdivided into rayons (districts) and municipalities, representing the lower level of administration. Also a specific feature of Russian classification of urban and rural settlements is a three-type division: cities and large towns, small towns, and villages.

Housing

It is estimated that the housing stock in Russia equals approximately 40 million dwellings. These figures do not include country houses, dachas, and various other types of residential accommodation for temporary and seasonal use.

The average space provision per person in Russia in 2002 is estimated at 20 m² in 2005, which is far below the Western standards, although an increase from 16.3 m² in 1991. Overcrowded housing has been a fact of life in Russia ever since the 1920s, when the previous regime started to move most of a peasant nation into industrial centres. In all rural areas, living area per person is generally higher than in urban ones with the one exception of the Far East.

In general, the overwhelming majority of the population now lives in standard apartments, while country-dwellers mainly occupy small individual houses. In the last 10 years, with the emergence of the new middle class, a growing segment of the population occupies newly-built houses or dwellings renovated to European standards, mostly in special areas and prestigious suburbs of Moscow, St. Petersburg and other big Russian cities. Particularly common is the so called "Kottedzh", a luxury detached house or villa, built on the outskirts of town for the new rich. It is estimated that the number of Russians living in individual houses increased from 14.9% in 1995 to over 20% in 2005.

Traditionally, most dwellings built are quite small, either 2 or 3 room (including lounge and dining room). Dwellings built privately are significantly larger than the norm, now at around 120 m² per dwelling, compared to an overall average size of 83 m². Thus while the average size of publicly constructed dwellings has significantly improved from 50 m² in 1980, it clearly falls short of larger dwellings typically built by private builders



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Special: Russia Bathrooms Market

In 1998, CONSULT GB noted the surprisingly large volumes of imports in all the main bathroom product categories. The main development in 1999 was the revival of domestic production, substituting some imports by taking advantage of the weak Rouble. In 2000 and 2001 there was double-digit growth in the markets for baths and taps and mixers, and more moderate growth in the other bathroom product markets.

In 2002-2004 the overall bathroom products market followed the trend observed in the previous two years. Strong growth was experienced in all segments of the market, with the largest increase in taps and mixers, ceramic sanitary ware and shower enclosure sales.

The overall pattern of the bathroom products market was severely disrupted by the transition to a market economy, like all other markets in the Russian economy. The demise of the Soviet Union brought about big changes: there was a dramatic fall in production as demand decreased and Russian industry was too ill-equipped to meet existing requirements. The internal market shrank considerably in size following the transition from the Soviet Union to Russia, while many Russian factories still maintained capacities to supply the whole Soviet market. Poor relations with former republics exacerbated the severance of economic ties. For example, relations with the Baltic States deteriorated for political reasons, the Ukraine introduced customs regulations preventing close co-operation, and the Caucasus became embroiled in a series of military conflicts, which all contributed in the disruption of economic stability.

In the near future, products from Asia (mostly China) of variable quality will be a serious threat to both the lower and mid segments of the market, mainly due to favourable pricing and flexibility (the design is a matter of a picture sent by fax, the brand is easy to modify, and the price is always negotiable).

In the next five years, the overall Russian bathroom products market is likely to be characterised by three interrelated developments:

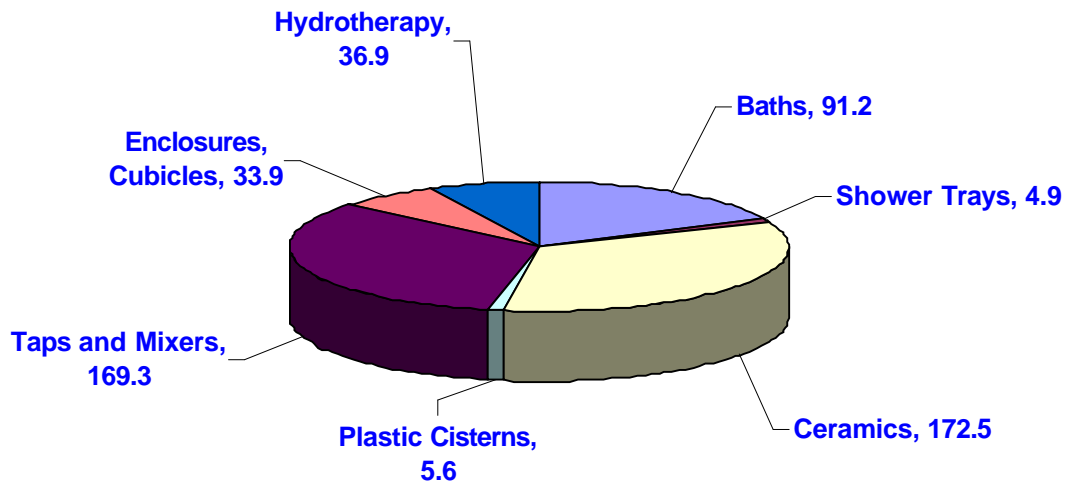
- saturation in the upper segment of the market, which will force Western importers to look for other options for growth
- development of Russian domestic production, that will improve the competitiveness of Russian supply mainly in the mid segment of the market
- increased competition in both the lower and mid segments of the market. In the lower segment, this increase will be mainly due to a large number of very competitive Chinese imports. In the economy segment, competition between three groups is set to heighten: the developing Russian producers; mid segment European imports combined with European companies producing locally; and improving Chinese imports.

A positive aspect is that Russian consumers are attaching increasing importance to the bathroom. There has been a significant shift away from communal bathrooms (typical of a Soviet communal flat), and from separate bath and WC rooms of the type found in standard Russian apartments, to a more Western European model where the bath and WC are found together in one room. The majority of Russians would choose to renovate their bathrooms with Western products, finances permitting. The high proportion of sales for renovation purposes is reflected in the fact that the market is highly seasonal, with a significantly higher percentage of sales occurring during the summer months.



Special: Russia Bathrooms Market

Russia Bathrooms Market Value 2004 (in mil euro)



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