



PRESS RELEASE

Stress test homework: The furniture industry need to get their business models on track

[January 16th, 2012] It happens year after year: In time for the IMM Cologne international furnishing show, questions are preying on the minds of the business leaders and decision makers of the furniture and furnishing sector with regard to the 'future viability' of their businesses: How strong are the culture and the strategy of the company? How successful and how 'set apart' are the product range and the marketing concepts? How efficient is the value creation effected by the organisation and procedures? How secure is the business financing – especially in the event of a market downturn, which in the light of the euro crisis, comparable to the crisis in 2009, is within the realms of possibility? These challenges will not be successfully negotiated with operational measures or a hectic operational approach alone. In fact, what is needed is to actively configure the business model of furnishing companies, in order, on the one hand, to make them robust - independent of external scenarios that are incapable of being influenced, and at the same time to make them viable for the future. This is the conclusion drawn by the industry experts from Dr. Wieselhuber & Partner (W&P).

The volatility of the markets has intensified the highly charged nature of this issue, and the times are over in which the market for furniture with a convenient regularity grew or contracted by one to three percentage points over the course of a number of years. Now, instead it is external business fluctuations that are incapable of being influenced and that are hardly predictable which are determining the situation. In the last financial crisis of 2008/2009, all of the manufacturers had to make sacrifices - at different points in time and to different extents. Especially hard and swiftly hit was the kitchen furniture and fittings sector, as well as the sectors close to B2B, like office furniture or furnished property business.



Against this background, the top management levels of the furniture manufacturers need to complete their homework urgently, in order to get their business models in the success lane. The problem: *“Today, the concept of the business model is used to such an extent that it is becoming meaningless. Only a very few actually know what a business model really is, let alone, what should actually be improved. This situation has to change at all costs!”*, explains Dr. Timo Renz, a member of the executive board and an industry expert at W&P.

If it's about putting to the test the 'robustness' and the 'future viability' in a kind of stress test, then for Renz both the 'front end' (such as products and services, market and competition scenarios) as well as the 'back end' of the business model (such as organisation, creation and addition of value and procedures) must be examined carefully. It is especially in light of the clout of the giants of the furniture market such as XXL-Lutz, Segmüller, Höffner or Porta, who are all, as before, still expanding strongly, fighting out price wars in the market and exerting their full purchasing power over their suppliers, that the 'setting apart' for most of the middle-sized furniture manufacturers is becoming more and more difficult. Added to this is the trend that the furniture retailers – whether large-scale or medium-sized – are taking on more and more manufacturing tasks in that they are strongly pushing retail brands and in some cases are even becoming furniture producers. As an example, the VME-Einrichtungspartnerring, a furniture association of middle-sized furniture retailers, which combines well in excess of one billion euro in purchasing volume, absorbed the flagging kitchen manufacturer Brinkmeier-Küchen just a few months ago. For many German furniture manufacturers, the air is getting thinner in view of the power and strategy of retailers and of the international competition coming from Eastern Europe and Asia. *“If as a furniture manufacturer in these conditions, you're not maximally efficient while at the same time delivering an excellent quality in products and services – both to end customers and retailers, then you don't have a chance”*, Renz sums up.



Dr. Wieselhuber & Partner GmbH
Unternehmensberatung

So that this can succeed long term as well as in the event of a sudden downturn in the market, both the business culture on the one hand and the business financing on the other hand must be put to the test.

“It’s only if you’re better, different, more intelligent and efficient than others; if you’re prepared against all resistance with your business model in any given stress scenario, that you’ll be ahead in future”, says Renz in conclusion. “The fertile ground for this success is a secure financing base, as well as an entrepreneurial culture, which doesn’t see change in a bad light, but rather takes hold of it as a creative and permanent renewal process.”

The current W&P brochure “Management of Business Models in the Furniture and Furnishing Sector” is available upon request.

About Dr. Wieselhuber & Partner

Dr. Wieselhuber & Partner (W&P) is an independent, cross-sector top management consultancy for family-owned businesses, as well as public institutions. This consistent orientation to particular target groups and the expertise resulting from it has led W&P in the past 25 years to become the leading management consultancy firm for family-owned businesses in Germany. With its head office in Munich, Dr. Wieselhuber & Partner affords its clients comprehensive expertise in business sectors and methods and stands out above all due to its competency in the area of conflicting priorities of family, management and business.

Media contact:

Stephanie Meske
Dr. Wieselhuber & Partner
Unternehmensberatung
Nymphenburger Straße 21
80335 Munich, Germany
Tel: +49 (0) 89 28623-139
Fax: +49 (0) 89 28623-290
Email: meske@wieselhuber.de