

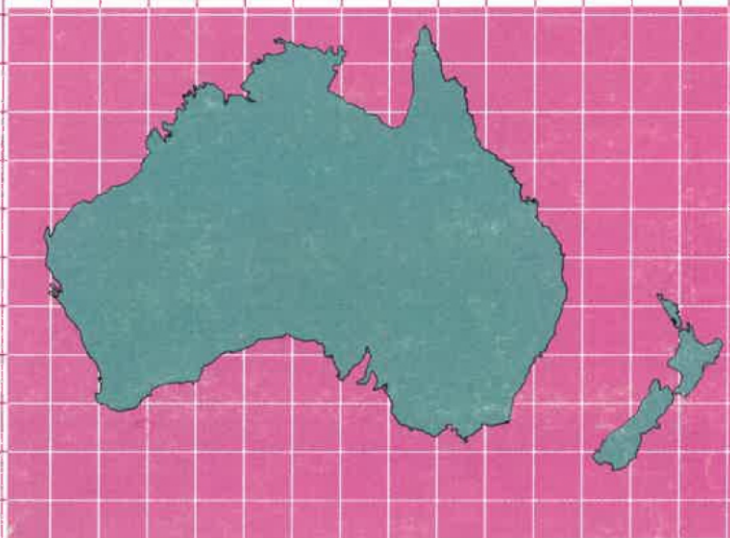
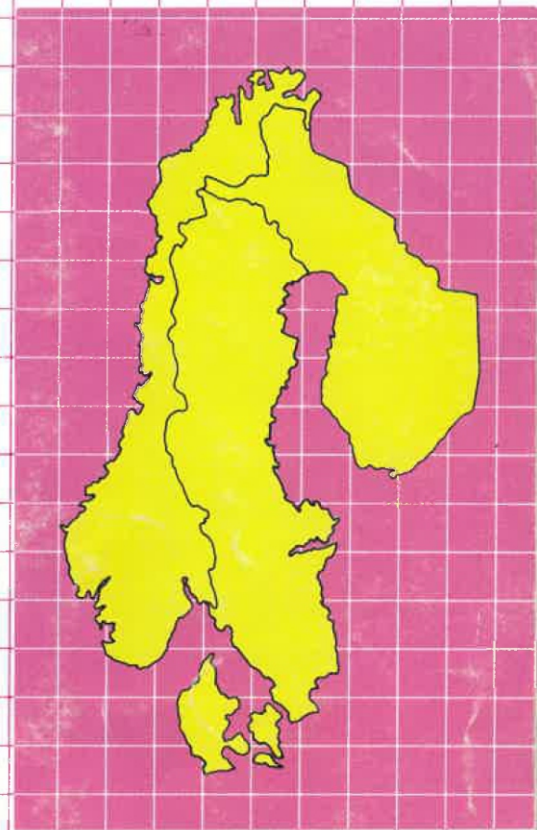
FLOTATION SLEEP AUGUST 1987

industry™

THE JOURNAL FOR THE WATERBED TRADE

AN HBJ PUBLICATION

“Grand New Opportunities”



- NWRA Trade Show, Nashville
- Scandinavia In Focus
- Australasia: WARM Spawns Interaction, Growth

Plus Buyer's Guide To Softsides

FLOTATION SLEEP industry™

THE JOURNAL FOR THE WATERBED TRADE

VOL. 15, NO. 8

AUGUST 1987

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Softsides/Hybrids currently represent 12 percent of the waterbed market, a share that is predicted to take a curve upward. This issue, *Industry* offers a comprehensive Buyers Guide, including manufacturer names, addresses and phone numbers and brief product overviews. NWRA trade show booth numbers are also listed for the convenience of readers shopping the show.

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The Opryland Hotel is site of this year's NWRA trade show in Nashville. See cover story, pg. 13.



SCANDINAVIA FLOTATION SLEEP TRENDS

For the long-term, big-time waterbed business in Europe, all eyes turn to Norway, Sweden and Denmark. In an exclusive interview with Akva Furniture, one of Scandinavia's oldest specialty waterbed companies, *Industry* explores the means by which the market is expanding, attracting new suppliers and remaining steadfast and true to value, design and the benefits of flotation sleep

By Alison Bridge

Scandinavia is the largest and most mature market for waterbeds in the whole of Europe. Scandinavians were the original health freaks, and a good bed is seen by many people as an essential accoutrement of a healthy lifestyle. They are very conscious of design, preferring a clean, functional style, whatever the mattress. The warmth factor is also important to Scandinavians, many of whom live on the same parallel as Alaska.

Although Denmark is by no means the largest Scandinavian country, its furniture industry is influential both at home and abroad. Furniture exports from Denmark outweigh imports in a ratio of about 2:1, with beds accounting for 208,492,000 Danish krone (Kr)* (approx. \$30,000,000) in exports and Kr134,443,000 (approx. \$18,000,000) in imports in 1986.

Overall, Denmark is a highly competitive and sophisticated market. An unusually large number of companies depend on foreign suppliers for many of their components and equipment. A large

proportion of imports are handled by resident agents, although some bulk buyers, such as chain stores and wholesalers, buy direct. On the retail side, the co-

It is estimated that Danes have the seventh highest per capita disposable income in the world.

operatives are a very important sales outlet. Modern shopping centers are already a feature of the retail trade, and new ones

are being built near all the major population centers.

Denmark's economy is enviable in many respects, with low inflation and unemployment. However, it has a serious balance of payments deficit and a large foreign debt. In an effort to alleviate this, the government has been attempting to reduce private consumption, but settlements reached in the recent wage round were higher than expected. That should keep private spending at a high level, and it is estimated that Danes have the seventh highest per capita disposable income in the world.

Denmark proper, that is the Jutland Peninsula and its islands, has an area of about 43,000 square kilometers (17,000 square miles), and the total population is in the region of 5 million. However, its position in Northern Europe, and the influence of designers who laid the foundations of the Danish Modern movement, make it a major force in the furniture industry. It is also home of one of the oldest specialist waterbed companies in Europe, Akva Furniture.

Continued

Denmark

Introducing Akva

The company was started in 1981 by Lars Brunso, now the company's administration director and his brother, Henrik, the product development manager. It is made up of three divisions. Akvaleje Vandsenge is a mini-chain of three specialist waterbed shops in Copenhagen, the capital of Denmark, and two other major cities, Odense and Aarhus. Sund Sovn (Healthy Sleep) is the company's distribution arm, selling to about 165 Danish furniture stores including the Danbo furniture store chain. Finally, Akva Furniture, based in Ry, is the international arm of the company, exporting its products—both high and lowline waterbeds—throughout Europe.

In its six years of operation, Akva Furniture has built up a large market share within Denmark. Although Lars Brunso is reluctant to give firm figures on his company's sales "for competitive reasons," he reckons it has about 50 percent of the Danish waterbed market, which he estimates as being 20,000 to 25,000 beds per annum.



Akva Furniture's Fantasie waterbed in white lacquered pine

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Symfoni is a lacquered pine waterbed with black aluminium tubes from Akva Furniture.

Market Figures Hard To Find

There is no equivalent to the UK's British Waterbed Association in Scandinavia, so independent figures on the market are hard to find. The Danish Furniture Association, *Mobelfabrikantforeningen*, in Copenhagen, puts a value of Kr338 million (\$45,126,835.78) on all types of beds produced in Denmark in 1986. Given the import and export figures previously quoted, that means about Kr130 million (\$17,356,475.30) of the home production plus Kr130 million (\$17,356,475.30) in imports were bought by Danish consumers in 1986.

Mobelfabrikantforeningen has about five waterbed companies as members, including Akva Furniture, but it does not produce separate figures for waterbeds, considering it too small a sector. However, a general idea of the percentage market share waterbeds have in Denmark can be gained by assuming that the average price of a waterbed is Kr8,000 (\$1,068), and combining this with Brunso's market figure for waterbeds sold per annum. The total waterbed market value can then be estimated at Kr16 million (approx. \$2.1 million)—which means that about six percent of the beds marketed in Denmark are made up of waterbed sales.

Brunso predicts rapid growth in the market and is already seeing yearly sales

Continued

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Denmark

increases of about 20 percent. In Denmark, the expanding market is already attracting new suppliers, and as more come into the business, prices are being driven down. Brunso expects activity of this kind to last a couple of years, and then stabilize.

No 'Real' Competition

Despite the fact that new players are entering the Danish waterbed market, most of them are small, and Brunso reckons Akva Furniture has no real com-

petition in its home territory at the moment. "We are one of the oldest companies in Europe and one of the biggest. We have 30 staff members at our headquarters alone, and we only deal with waterbeds," says Brunso.

He also points out that Akva Furniture is the only company that offers complete waterbeds: others supply frames or heaters of mattresses, whereas Akva has specialized since the start and sells "the whole concept."

The company imports its mattresses from United States Watermattresses in Baltimore and its heaters from the Swedish company Kanthal. It designs and makes bed frames, accessories and

some of the safety liner systems, and offers two kinds of soft-sided beds (hybrid beds).

Although the majority of the company's business is wholesale, the three specialist retail stores fulfill an important pilot role in the company's marketing strategy. As Lars Brunso says, "Our specialist stores mean that we always know what's going on."

He believes that the knowledge of local customers and markets gained through the stores is extremely valuable for his own company, and essential for companies trying to succeed in Europe. "We will see more and more American companies being 'Europeanized', and not just in pricing; they will have to take account of preferred sizes, quality and all-round handling if they want serious success," he says.

"We will see more American companies being



'Europeanized', and not just in pricing..."

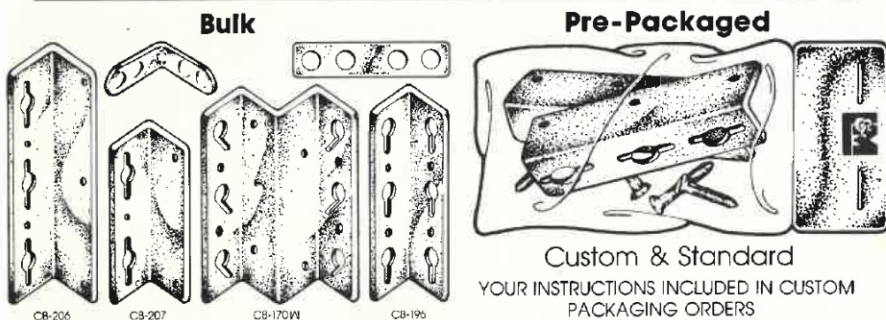
Establishing Attitudes

Akva Furniture's sales message is "quality, design and service," and as Brunso points out, "we don't mention price—we try to maintain high margins, although, unfortunately, we have to go with market conditions."

The company's Danish customers are most interested in the health benefits of waterbeds. Scandinavians have always been the most health conscious of the Europeans, and waterbeds entered the market at a time when the health boom was in full swing. Astute suppliers like Akva Furniture promoted a good night's sleep as being just as important as giving up smoking, eating more healthy foods and getting more exercise.

Continued

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Denmark

Now that these attitudes are established, Akva concentrates less on the health advantages and more on explaining the technicalities of its products. "It is important to educate and inform customers about waterbeds, and explain what the differences are among various types," says Brunso. "Now we are starting to see consumers being more specific about what they want, and more qualified to ask questions."

Clean, Classic Designs

When it comes to specifics, he admits that some of the company's customers are most interested in a waterbed's price. However, the majority place more emphasis on the look of the bed. They like clean, classic designs, and Lars and Henrik Brunso design most of the frames themselves along these lines.

With the importance they place on product design, the Brunsos are falling in with a tradition of furniture design that can be traced to architect Kaare Klint, who was the "father" of Danish Modern design. He was a designer and teacher who believed that furniture should not just look functional, but be functional through the designer's analysis of people, their proportions and the way they used pieces.

One of his key ideas was that instead of spending time inventing something new, it made more sense to improve on existing types of furniture—which he did

superfluous features. A later designer, Borge Mogensen, carried on the idea by designing a chair and table inspired by the furniture of the North American Shakers.

Lars Brunso thinks that Akva Furniture's emphasis on design is unusual among European waterbed suppliers, saying "no one else uses design as a sales feature. They offer regular, boring beds that happen to be waterbeds. Our approach means that customers get a very nice bed plus the benefits of a waterbed. Everyone seems to have forgotten design in the marketing of waterbeds, but suppliers should use the opportunity to present new designs to the market."

Akva Furniture's best-selling bed is the Flamenco, a simple design with a plain white frame with rounded corners and a built-in side table. A semi-waveless queen-sized Flamenco bed costs Kr7,215 (\$963). The most popular high-end bed is the Simfoni (Symphony), which Brunso describes as "Akva's logo bed," a handsome design with black tubular metal head and foot. A king-size waveless Simfoni bed costs Kr9,690 (\$1,294).

All the beds in Akva's range have musical names, chosen by the Brunso brothers' mother, who is a music teacher. It's not just a sentimental gesture, though: as Brunso points out, "music names are international."

The international nature of its product

In its six years of operation, Akva Furniture has built up about 50 percent of the Danish waterbed market.

himself frequently, for instance by adapting Chippendale pieces, which he "distilled" by freeing them of their

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names is important as the largest part of Akva Furniture's business is in exporting to the rest of Europe, and particularly to its Scandinavian neighbors. It has agents or distributors in Norway, Sweden, Finland and West Germany, and recently set up in the UK.

Lucrative Export Markets

Norway, Sweden and Finland are its most lucrative export markets, and Germany is just starting to pick up. According to Brunso, Germany is not such an easy sell: "German furniture stores need sophisticated and serious presentations."

Apparently the Norwegian market is going for full flotation mattresses in a big way. Brunso estimates that about 50 percent of the waterbed mattresses the company sells into Norway are of this type, compared with only five percent in Denmark. The majority of Danish customers buy reduced mattresses with attached or free-floating baffles.

Akva Furniture also has connections in the United States interested in importing its beds, although it has no specific plans yet. "We have gained in-house experience in Europe, and when we decide to go to America, we will go in and take a niche in the market," says Brunso. "We don't expect to do a large amount of business, but we would sell to the group of customers who want Scandinavian furniture design and quality."

Akva Furniture's policy of educating its public, and its leading position in the European waterbed industry, were emphasized recently when it was the only waterbed supplier to have a booth at the prestigious Scandinavian Furniture

went very well, despite the weak dollar that has affected exports, meaning that furniture production in general has decreased. "Although we sold mainly to existing customers, lots of people were there researching waterbeds, and new customers will come after the fair," he says.

The Danish Government has steadfastly refused to devalue the Danish krone as part of its general economic policy. In fact, as a result of its linkage with the West German Deutschmark through the European Monetary System, the krone has strengthened against the currencies of many of its major export markets, including the UK, the United States, Norway and Sweden. This makes Denmark attractive for importers but is less helpful for companies like Akva Furniture.

However, Lars Brunso is extremely optimistic about the future of his company and about the waterbed market in Denmark and the rest of Europe. "Furniture is one of Denmark's major industries, and we have hired professional people into every sector of our company," he says. "Now we have to go out and promote waterbeds as serious furniture." □

Alison Bridge is a senior writer with London-based APT Data News Services.

**Based on an exchange rate of Kr7.49 to \$1.*

Furniture exports from Denmark outweigh imports in a ratio of about 2:1.

Fair in Copenhagen in May. The company spent about Kr200,000 (\$26,702) on its exhibit at the show, with a video presentation and four salespeople on duty at all times.

According to Lars Brunso, the show

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