FENB also made the following assessments for selected value-added products:

- demand is growing strongly for parquet flooring, edge-glued wood, MDF, outdoor wood, quality shelving and bookcases;
- demand is stagnant for panelling, profiles and polyvinyl chloride (PVC) profile products; and
- demand is declining for tropical woods. There are also concerns about disposing of plastic products, which might lead to a modest swing back to wood in some market segments.

3.2.2 Industry Structure

Principal Trends. The traditional chain of distribution through agents to importers to intermediate manufacturers, specialist wholesalers and retailers is starting to be bypassed as direct purchase becomes more frequent. This increases the number of access channels to the market and forces agents and importers to change their ways of doing business. One of the driving forces in direct purchasing are the many DIY chains and buying groups formed by smaller wholesalers and retailers. This has also led to a number of importers specializing in products for the DIY chains.

In comparison with France and the United Kingdom, however, neither vertical integration nor concentration are very advanced. This is indicated in Chart 1. For example, the typical integration that has occurred is by some importers into profiling. It is also reported that there has been some backward integration by merchants into remanufacturing plants in Sweden and Austria, and that, conversely, Swedish and Finnish export groups have acquired distributors in Germany.

Sales Outlets. As in other markets, there are two principal types of sales outlet: the specialized merchants and the home renovation or DIY stores. More and more, the specialized merchants and DIY stores are becoming members of corporate chains or buying groups.

Specialist merchants, in contrast to DIY stores, seek better quality, need as wide a program as possible and, from a sense of 'noblesse oblige', believe that they must have everything in stock. Although traditionally supplied by importers, some wholesalers are regrouping to buy directly. For example, it was reported that 11 medium-sized companies share a logo and import some products jointly. In another case, two large independents, one in central Germany and the other in Bavaria, buy directly from overseas suppliers through agents. This allows them to import in container-sized quantities.

The DIYs are price-driven and generally have lower quality products. The DIYs rushed into the Eastern Länder after reunification and will become very important there, particularly because of the need for renovation. According to many trade sources, dealing with DIYs can be difficult. They press very hard on terms, service and price. Suppliers must be listed and must be prepared to serve all the company's markets. One trade source reports that they dictate price and terms, and since they are driven by the need for high turnover, require the option to drop a product. Dealing with these groups would appear to be very similar to dealing with major chains in North America.

Data for 1988 cited from trade journals estimate industry turnover at between DM 8 billion and DM 11.5 billion ($5.3 billion to $7.7 billion) for all products, including hardware, tools, wood and other construction materials. The number of stores in 1988 was estimated at 1,620, up from 580 in 1980. The number had risen to 1,650 in 1989 and continues to grow. Chains are relatively evenly divided between corporate-owned 'superstores' and either franchise or straight cooperative arrangements. There are about 30 major chains ranging in size from 10 to 186 stores as indicated:

- 100 or more outlets:
  4 groups: OBI (186), Hagebau (113), Co-op/Plaza (106), Interpares (100)

- 45 to 100 outlets:
  6 groups, including Bauhaus (88), Mobau (63), Stinnes (57)

- 10 to 45 outlets:
  20 groups, including Max Bahr (44), Massa (23), Hornbach (22), Wirichs (22)