

Industry Report in Autumn/Winter 2018

Significant decline of candle consumption after yet another record

The consumption of candles in the European Union had increased for several years in a row, and this trend continued in 2017. A total of 790.000 tons of candles were sold, more than ever before. One in two candles is produced in Poland, making it the most important production country by far. From a statistical point of view, each EU citizen from infant to great-grandfather bought 1,55 kg of candles. The fact that the candle manufacturers were able to increase the production in Europe again and most of the candles in the shelves were domestic is particularly good news. Unfortunately, the turnover was not able to keep up with this development and even decreased slightly despite a significantly higher tonnage.

In 2018, the candle consumption is going to decrease for the first time in years, possibly even in the range of five percent according to latest estimations. The reason for this drop is the long hot summer that has kept people from getting into the proper mood for burning candles for a long time. Sales have picked up immediately since autumn arrived in most parts of Europe in November eventually, but this will not be enough to make up for the weak sales in the early months of autumn. The candle manufacturers expect to see an increased candle consumption in next year again, provided that the weather will return to normal.

Constantly low profits cause massive problems

Many European candle manufacturers have suffered from extreme price pressure and very low profits for years. This year's sales drop caused by the weather has made an already difficult situation even worse. Increasing production costs cannot be balanced by higher efficiency anymore, or at least not entirely. The consolidation of the industry, that started some time ago already, is therefore expected to continue. In some cases, the solution to meet the enormous challenges might be that several independent manufacturers join forces by merging into a larger corporation. But in other cases, shifting production to other countries or even shutting it down can probably not be avoided. The further development in the following areas will be of key importance here:

Competition with low-priced imports

After low-priced candle imports from China had brought the European candle industry to the brink of collapse, antidumping duties were protecting it for a period of almost seven years. Imports from China and other low-cost countries, mostly for sales campaigns at discount markets, have increased continuously again since the antidumping duties were stopped three years ago. These products often show inferior quality compared to domestically produced candles and there are frequent doubts that they comply with legal

provisions. The European manufacturers are concerned, however, that disappointed consumers, who had the bad luck to buy such a poor product, will stop using candles entirely instead of using high-quality candles from domestic producers.

Fluctuating base material supply and prices

Paraffin wax is still the most widely used base material for candle production. But in the past years, large parts of the production capacities in Europe were shut down and so the manufacturers have no other choice than importing paraffin wax to cover their demand. The consequences are partly high price surges and an uncertain supply situation, also depending on the exchange rate and transport capacities. Candle manufacturers require a price level of their base materials that is as stable as possible, however.

This year, paraffin wax supply has been sufficient, but prices have been on a very high level. This has made alternative fuels, such as fats and stearin, more attractive, but also pushed the debate on sustainability. Candle manufacturers explicitly welcome that more and more consumers require certified sustainable products, but the efforts for the necessary certification are significant and most customers and consumers are unwilling to pay the substantial extra costs for the certified base materials.

Rising production costs

There have been significant cost increases in many EU member states in 2018. Especially the costs of labour, energy, transport and logistics, and of most commodities, additives and operating materials have risen significantly. This development will also continue next year.

Increasingly strict legal requirements

Candle manufacturers take compliance with the increasingly stricter legal requirements very seriously and keep careful records, but the efforts are tremendous and hard to master, especially for small and medium-sized companies. Separate national approaches of member states intending to modify the EU wide requirements to a greater or lesser extent come on top, causing additional effort. Unfortunately, the European Commission decided against halting this rank growth, that is particularly bothersome for companies that are active all over Europe, by means of a binding standardisation mandate. The European candle manufacturers are committed to further regulation and harmonisation however, and so they are going to consistently continue with standardisation and expanding it to additional product groups on a voluntary basis and at their own expense.

Increasing customer demands

The consolidation of retailers in the past years has given the big retailer groups even more power. One result is an extreme price pressure that gets even higher because of the continuous shift of candle sales from small retailers and specialist shops to price-conscious discounters. Moreover, orders are placed later and later each year and the response time gets extremely short as a result. The necessary flexibility can only be realised by foresighted long-term storage, causing extra costs and risks for the manufacturers and tying up more and more important working capital.

At the same time, customers are demanding more and partly very different commitments and documentation, e.g. for supply chain management or social responsibility to name only two. This increased administrative burden is not compensated financially, however.

Current trends

The sales area for candles in the shops is getting smaller and smaller, and so customers have less choice in the individual shop. Most turnover is still generated with the classics, such as white tea lights, jar candles or pillar candles for example. White tea lights with aluminium cups in particular face an extreme price pressure however which can often only be met with less wax and a smaller flame. If consumers desire a large and bright flame, they should not always buy the cheapest products or use the larger maxi lights instead.

If one is looking for large and extravagant candles, which can be used as the central eye-catcher of flower arrangements for example, they can often be found at home decor chains, floristics shops and garden centres. Online trading of candles contributes to creative diversity as well.

Apart from the classics, there are strong sales of tea lights and maxi lights with transparent plastic cups that allow a clear view of the flame. Other trends are solid-coloured pillar candles with rustic surface texture and filled jars in all shapes and colours.

Scented candles have continued to grow in popularity, but there are strong regional variations. There is a trend towards candles with a high fragrance load and extravagant scents, preferably in a decorative jar and exquisite packaging.

Consumers determine quality

In spite of price pressure and future challenges, our members are anxious to continue supplying best quality candles because candle consumption will only increase sustainably if consumers are satisfied with the product. And consumers are the ones with the greatest power when it comes to deciding if high quality is supposed to win out in the long term, as they have proven for many other products before. The price should not always be the key criterion, especially since candles are inexpensive products to begin with. Consumers should pay more attention to an attractive appearance and good workmanship. If a candle nevertheless falls short of the expectations when it is lit, there will be sufficient alternatives on the market that will convince entirely.

If consumers want to make sure to buy high-quality candles before lighting them, they should look out for the RAL Quality Mark for Candles. The award stands for premium quality of all base materials as well as an impeccable burning behaviour of the candles. It increasingly attracts retailers' and especially consumers' attention also beyond Central Europe in the meantime.



European Candle Association ASBL
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