

Industry Report in Autumn/Winter 2019

No recovery in sight yet after significant decline of candle consumption

After candle consumption in the European Union had increased continuously for many years, it dropped by almost seven percent to 740.000 tons or 1,44 kg per head in 2018. The main reason was the long hot summer that kept people from getting into the proper mood for burning candles for a long time. Sales had picked up immediately when autumn had arrived in most parts of Europe in November eventually, but this was not enough to make up for the weak sales in the early months of autumn.

The weak preceding year still puts the candle manufacturers in a difficult situation in 2019. Fortunately, the weather mostly returned back to normal and consumers are in the mood to enjoy candles. But because the retailers were unable to sell a considerable amount of their goods last year and had to store it, they have been cautious with new orders and also with campaigns this year. The candle manufacturers expect that their production volume will not exceed that of the previous year due to the retailers' prudent strategy, and that it may even be a bit lower. They hope for more optimism and stronger sales again in the coming year.

Extremely low profits cause massive problems

Many European candle manufacturers have suffered from extreme price pressure and very low profits for years already. Last year's sales drop caused by the weather and its aftermath have 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 completely 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. Likewise, the antidumping duties were protecting European consumers from imported candles with often very poor quality. Imports from China and other low-cost countries, such as India or Vietnam, have increased continuously again since the antidumping duties were stopped four 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.

At least paraffin wax supply has been unproblematic this year, but it may change at any time. Alternative materials, such as fats and stearin, will play a key role for this reason. Such certified sustainable candle base materials with transparent origin are more and more requested by consumers which is something the candle manufacturers explicitly welcome. But the efforts for the necessary certification are significant and most customers are unwilling to pay the substantial extra costs for the certified base materials. Consumers can have a significant impact here. If they are willing to pay a little more for certified sustainable candles, the choice of such products will get wider automatically.

Rising production costs

There have been significant cost increases in many EU member states in the past years. Especially the costs of labour, energy, transport and logistics have risen significantly. This development will certainly continue in the coming years.

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. The European candle manufacturers are committed to further regulation and harmonisation however, and so they will continue to work on developing European standards for candles and related products consequently.

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. At the upper end, the tea light range is complemented by maxi lights with a large, bright flame and tea lights with a longer burning time. If consumers attach importance to a large flame and long burning time, they should consider buying these products 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 continuously strong sales of tea lights and maxi lights with transparent plastic cups that allow a clear view of the flame. Other trends are pillar candles with rustic surface texture and other solid-coloured candles, as well as filled jars in all shapes and colours. Scented candles have continued to grow in popularity and are expected to do so in the future, but there are strong regional variations.

The candle manufacturers welcome the general trend towards more sustainability. They strive for reducing packaging continuously, among other things. Plastic packaging will be needed in some areas from today's perspective, but in other areas, more packaging from renewable sources, such as paper or cardboard, can be used.

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
Stuttgart, December 2019