J. W. GOTTSTEIN MEMORIAL TRUST FUND

The National Educational Trust of the Australian Forest Products Industries

GOTTSTEIN
TRUST

FURNITURE INDUSTRY STRUCTURE RESEARCH STUDY

CHUAN ONG

2001 GOTTSTEIN FELLOWSHIP REPORT

JOSEPH WILLIAM GOTTSTEIN MEMORIAL TRUST FUND

The Joseph William Gottstein Memorial Trust Fund was established in 1971 as a national educational Trust for the benefit of Australia's forest products industries. The purpose of the fund is *"to create opportunities for selected persons to acquire knowledge which will promote the interests of Australian industries which use forest products for the production of sawn timber, plywood, composite wood, pulp and paper and similar derived products."*

Bill Gottstein was an outstanding forest products research scientist working with the Division of Forest Products of the Commonwealth Scientific Industrial Research Organization (CSIRO) when tragically he was killed in 1971 photographing a tree-felling operation in New Guinea. He was held in such high esteem by the industry that he had assisted for many years that substantial financial support to establish an Educational Trust Fund to perpetuate his name was promptly forthcoming.

The Trust's major forms of activity are:

1. Fellowships and Awards - each year applications are invited from eligible candidates to submit a study programme in an area considered of benefit to the Australian forestry and forest industries. Study tours undertaken by Fellows have usually been to overseas countries but several have been within Australia. Fellows are obliged to submit reports on completion of their programme. These are then distributed to industry if appropriate. Skill Advancement Awards recognise the potential of persons working in the industry to improve their work skills and so advance their career prospects. It takes the form of a monetary grant.

2. Seminars - the information gained by Fellows is often best disseminated by seminars as well as through the written reports.

3. Wood Science Courses - at approximately two yearly intervals the Trust organises a week-long intensive course in wood science for executives and consultants in the Australian forest industries.

4. Study Tours - industry group study tours are arranged periodically and have been well supported.

Further information may be obtained by writing to:
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ACKNOWLEDGMENTS

I am very privileged to be a recipient of the 2001 Gottstein Fellowship. My sincere thanks to the Trustees of the fund for giving me this opportunity to carry out my research study on the furniture structures of Italy, France, Germany and Spain.

Personally, this Fellowship has given me an invaluable learning experience. I am not only culturally enriched, particularly by the Italian and Spanish ways of doing things, but I also acquired an in-depth understanding of the various industry structures visited. Some of these culturally influenced industry structures cannot be easily *copied*, but they could serve as models for us to emulate and adopt. The exposure to the marketing philosophy and product promotion at the trade fairs has been an eye-opener in my marketing role for Sotico as well as the timber/furniture industry.

This Fellowship has also given me the opportunity, as the Export Chairperson of the Furnishing Industry of WA, to invite industry members and organise a study tour group to join me in my research study in Italy. The support of the WA Department of Industry & Technology (DOIT), Forest Products Commission (FPC), the University of Western Australia and the Furnishing Industry of Western Australia (FIAA, WA) clearly demonstrates the need in creating a vibrant Australian furniture industry through good designs that will accentuate our unique native timbers.

The planning and coordination of this Italian study tour was made possible with the support of many people in particularly, Ms Nicola Ryan of DOIT and Mr Dino Gosatti of Inglewood Products Group. The latter accepted the role of Team Leader for the group and together with his wife, Gelsa, put in an enormous amount of personal effort (like parents to us!) to ensure the tour was both educational and enjoyable. It is through Mr Gosatti's contacts that the group could visit many of the manufacturing facilities that are normally jealously guarded.

Professor Patrick Beale has been an inspirational teacher and shared his knowledge to unravel the rich history and culture of Italy from the architectural and fine arts perspective. My thanks to Professor Beale for giving me an 'Open University' education of Greek Mythology through to the Roman Empire and the Renaissance Movement.

All the participants in this Italian study tour were very supportive and cooperative. The diverse background of the participants gave a challenging platform for brainstorming and networking during the bus journeys and evening meals. I gained a deeper understanding of the furniture industry and I thank them for sharing their success stories and endurance in times of hardship.

In the second part of my research study tour to Spain, France and Germany, I would like to thank Ms Inmaculada Rey Gasso of Anieme (Spanish National Association of Furniture Manufacturers and Exporters), Mr Rene Cicchetti (Furniture Consultant), Organising Committee Members of Paris Show (COSP) and its agent, Mr Bernard Lorin, for their assistance and hospitality.

Special thanks to Mr Ian Hearn (WA & National President of FIAA, and Ms Sonia Grinceri (now Trade Commissioner of DOIT in the Bombay Office) for their tireless encouragement and support of me in putting together this research study tour.

I also wish to thank my employers, Sotico's Managing Director, Mr Ron Adams and General Manager Timber Marketing & Sales, Mr Peter Jolob, for their guidance and support for a broader cooperation between the timber and furniture industries. It is through their leadership in fostering such a supply chain relationship that has enabled me to partake in this research Fellowship.

Finally, this Gottstein Fellowship has sown the seed of knowledge for those who travelled with me in the Italian study tour and many others whom I have shared my experience with.

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31 May 2002

BRIEF BACKGROUND OF CHUAN ONG

Chuan Ong is the Timber Marketing Manager for Sotico Pty Ltd and has held a number of management positions since joining the company in 1989.

In his capacity as the Chairperson, Export Committee and Senior Vice President of the Furnishing Industry of Western Australia (FIAA, WA), Chuan is looking at ways to develop local, national and overseas hardwood furniture markets through better designs, product innovations and networking. More recently, he has been given the task by the National FIAA to develop a National Export Program. This has the support of the Forestry and Forest Products Committee in the Primary Industries Ministerial Council.

Before joining Sotico, Chuan worked for Shell Australia (market research); University of Western Australia (research/tutoring); Guthrie Plantations (plant breeding/tissue culture research) and Texas Instruments (electronics chip production).

Chuan holds an Honours degree in Genetics (University of Malaya) and a MBA under a Commonwealth Post-Graduate Scholarship through the University of Western Australia.

Chuan, his wife, Angeline and their three sons, Timothy (13), Christopher (10) and Joshua (3) enjoy the diverse cultures and lifestyles as well as the beautiful natural landscapes in Australia.

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Front cover: Antry Pty Ltd's Rio Collection, winner for the best dinning suite in the Australian Furniture of the Year Awards, 2001 held in Perth, Western Australia

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EXECUTIVE SUMMARY

This Gottstein Fellowship Report is based upon a research study on the furniture industry structure focusing on some of the world's most successful furniture producing countries in Europe - Italy, Spain, France and Germany. The study also included visits to three international furniture fairs in Milan, Paris and Cologne. A review of the recent success stories of Canadian and Malaysian industry also highlights the role of government in making its furniture industry a major export earner.

The report identifies a number of key ingredients of successful furniture industry structures in the countries visited:

- Clusters of industry members for innovations and global competitiveness (eg Valencia in Spain, Udine and Fruili in Italy).
- An entrepreneurial system enriched with culture and history.
- A strong support structure from government agencies and technical institutions (eg. Milan Polytechnics, SIDI, VIA). In Malaysia, the government's focus to value-add rubberwood revolutionised its furniture industry as one of the fastest growing exporter.
- The role of government in supporting the industry is becoming more significant in today's competitiveness world markets. The recent success of Malaysian and Canadian furniture industry in export market development is the direct result of their governments' proactive support. Even successful exporting EU countries such as German, Spain, France and Italy are still receiving support from both their and EU governments.
- A holistic approach in design beyond just aesthetic and functionality. It must include social-cultural expressions, use of new and unique materials and innovative manufacturing processes and packaging.
- Explore the use of materials that are unique, new and exciting and the potential for "eco-labelling" (environmental friendly).
- Use of innovative technologies for better quality and improved competitiveness.
- A strong supply chain relationship, particularly with timber suppliers. The practice of 'timber cut for furniture' is very common in Italy and timber wastage is minimal.
- A strong communication and product positioning strategy backed by government and industry bodies (eg "*Mueble de España"* for Furniture made in Spain).

- Industry network groups to assist the members and promote their products locally and in overseas markets (eg Anieme in Spain).

- Stage high standard international trade fairs such as the Milan and Cologne Fairs. Interestingly, Cologne is not a furniture-producing region but promoted by the government as the centre for furniture exhibitions in Germany.

The furniture industry in Australia consists of many small players. Export is small and growing slowly. Import share is high and growing very quickly mainly from the Asian countries.

The Action Agenda (Federal Government support initiatives to the Furnishing Industry Association Australia (FIAA)) identifies six priority areas to build competitive advantage in the industry. However, greater emphasis is required for market development and product designs. The current timber restructuring process at the state level has also provided further impetus in creating a vibrant furniture industry.

Australian manufacturers should focus on creating customer value such as quality, design, use of unique local materials and capacity to effectively service a dynamic local retail sector and competitive global markets.

The growth potential for Australian timber in furniture making would require a strong communication and positioning strategy to promote sustainable and unique resources with designs that have been inspired by the Australian way of life; and at the same time take cognisance of evolving global trends and fashions.

A proposed model focusing on a greater networking concept for export growth and to stimulate import replacement has been developed. It is being planned to rollout this model to various states under the FIAA's National Export Program which the Forestry and Forest Products Committee in the Primary Industries Ministerial Council is interested to consider a pooled national export marketing effort.

1 INTRODUCTION

1.1 Purpose

The purpose of this Fellowship was to research the overseas furniture industry structure and to study the use of natural hardwoods in high-end furniture applications.

It was envisaged that the experience gained through this research study would enable me to develop a model for a vibrant Australian furniture industry working closely with our hardwood industry.

1.2 Scope of Research Visits

It was necessary to split the research into 2 separate visits, due to the timing of furniture shows in Europe:

- Apr 2001 - Milan Fair
- Jan 2002 - Paris & Cologne Shows

In the first part of my research study, I travelled through the northern part of Italy to Florence, Rimini, Udine and Milan, covering the following areas:

- furniture manufacturing including componentry;
- furniture machinery manufacturers;
- design institutions and studios;
- Government and regional support programs; and
- the Milan International Fair.

In preparation for this study tour with Ms Sonia Grinceri of the WA Department of Industry & Technology (DOIT), an idea was mooted to extend this research study in Italy to the members of the Furnishing Industry Association of Australia (FIAA) in WA (FIAA (WA)). It was then incorporated into part of the FIAA (WA)'s strategic plan to assist its members in developing new product designs and markets.

The proposed plan was very well received and supported by both DOIT and the newly created Forest Products Commission (FPC) in WA. As a result, a total of 14 people participated in this research study tour:

eight from five furniture manufacturers;
two designers;
one from the University of Western Australia (UWA) - the Head of School of Architecture & Visual Arts;
one timber supplier; and
two WA Government representatives.

L-R: Stan Samulkiewicz (Jarrah World), Hugh Colin (Hughmark Furniture), John Riggs (Just Jarrah), Chuan Ong (Sotico), Eleonora Carnevali Roli (interpreter), Carol Samulkiewicz (Jarrah World), Ardino Gosatti (Inglewood Products), Gelsa Gosatti (Inglewood Products), Prof Patrick Beale (UWA), Kim Thornton-Smith (Blake Thornton-Smith), Sander Dijkstal (Shape Interiors), Gary Bennett (JahRoc), Lara Bennett (JahRoc), Terry Jones (FPC), Rob Parker (DOIT), Driver.

The planning and coordination of this trip was made possible by Ms Nicola Ryan of DOIT and Mr Ardino Gosatti of Inglewood Products Group with Mr Gosatti organising for the group to visit many of the manufacturing facilities in Italy which are normally jealously guarded.

Travelling in such a group, I benefited greatly from their experiences in the furniture industry both within Australia and abroad. I also gained many ideas and developed good networking relationships that assisted in my research study under this Fellowship.

The visit reinforced the view that Italy is one of the global centres for contemporary furniture design. The relationship between the manufacturer and designer is well advanced with industrial designers working collaboratively and in partnership with furniture manufacturers. Payment is often undertaken on a royalty basis. The designer also incorporates greater attention and emphasis on the construction and packaging aspect of the product.

This Italian study tour was reported in a media release by WA Ministers Kim Chance and Clive Brown (see Appendix 1). One of the participating manufacturer/designers, Mr Gary Bennett of Jahroc Furniture, shared his experience he gained from the visit and the inspiration for better designs (see Appendix 2). He is one of four who has subsequently engaged a professional design consultant to develop a new range of contemporary furniture.

I have also compiled two reviews on the successes of the Canadian and Malaysian furniture industries that are relevant to my research study (see Appendices 3 and 4). As a result of free trade agreements with the USA and Mexico, the Canadian industry fought for its survival through a number of government and industry initiatives. On the other hand, the Malaysian Government identified and targeted the furniture industry as a growth sector for rubberwood that was once considered as fuel or waste wood. It developed policies with generous Government support to make the Malaysian furniture industry one of the world's fastest growing exporters.

The second part of my research study focused on the Paris and Cologne Trade Fairs where sellers, buyers, designers and products were all under one roof. I also visited Anieme in Valencia, Spain – a non-profit export organisation that has helped to put Spanish furniture on the world map.

2 GLOBAL FURNITURE TREND

2.1 World Furniture Trade

According to CSIL, the Italian furniture industry commentator, world furniture production is running at US$200 billion, of which 64% is manufactured in seven industrialised countries. China, Mexico and Poland account for 21% of capacity and they are growing rapidly.

The furniture industry within the economy of the industrialised world represents between 2% and 4% of the total production of the manufacturing industry, approximately 2% of the GDP and 2.2% of the total workforce.

Major importers are led by USA, Germany, France, UK, Japan and Canada. The leading exporting countries are Italy, Canada, Germany, China, USA, Poland and France. Recent growth in exports, however, has come only from emerging countries such as China, Poland, Malaysia, Indonesia and Mexico.

The main producing countries of furniture are also their main consumers. The six most important markets in furniture consumption are USA, Japan, Germany, France, Italy and the United Kingdom. By geographical areas, the European Union (EU) represents 45% of the world supply of furniture, Asia (Japan, China and south-east Asia), 25%, and North America, 19%.

With the recent formation of regional trading blocks, some 58% of the total world trade takes place between each of the macro-regions into which the global economy is currently divided:

- the EU, which itself absorbs 41% of world trade;
- NAFTA area (USA, Canada and Mexico) with 28%; and
- 31% in Asia.

2.2 Future Materials, Trends and Styles

The future of furniture is marked fundamentally by the design boom and the application of new technologies and materials.[1]

The application of new technologies in the production processes translates not only into a reduction of costs, but also to obtain high quality products with competitive prices.

The great revolution, however, is the use of new materials ie, new generation fabrics, metallic alignments, glass fibre, new plastics etc. The appearance of new materials involves a search for new formal expressions, revisions of concepts and of revolutionary applications such as the use of steel for interior furniture or recycled plastics to create classic line products.

[1] *Immaculada Rey, Anieme, "Towards Global Leadership Of Spanish Furniture", Press Release FIM/Anieme/ICEX, 2002.*

One of the trends that will develop the most in the near future is that of the so-called 'eco-labelling', a response to the socio-cultural demand to respect and care for the environment.

The changing trends are influenced by different factors. There are periodically renewed concepts of 'fashion' created and developed by the sector leaders. On the other hand, changes in the socio-cultural structures that give rise to the concepts of 'home' and 'dwelling', modify periodically the needs to furnish the different spaces.

One of the most important changes in this sense is the incorporation of new information technology to the image of homes, a trend that tends to introduce a new concept of 'home-information centre', with the subsequent need to create furniture that 'contains' the computer, audio-visual equipment, etc without renouncing the style chosen for each space.

The Italian sociologist Francesco Morace, president of Future Concept Lab, warns that in the near future both manufacturers and retailers will have to put a special emphasis on ethically correct and socially sustainable products, since people's purchases are increasingly driven by a feeling of ethical consciousness[2]. Other analysts foresee that in the short term, consumers could go back to the cocooning attitude as a response to uncertainties and insecurities resulting from an increasingly dramatic world scenario. More than ever, feeling good at home proves to be a highly appreciated value. Increasingly, consumers also want to become their own interior decorators, choosing and mixing things in order to shape unconventional domestic environments.

In the aftermath of 11 September 2001, status symbols are subtle.[3] They are not flashing neon lights that broadcast one's existence, but small touches that communicate the depth of one's knowledge and appreciation of finer things. In Europe, particularly in Scandinavia, designer furniture is emerging as a status symbol (even it is not seen in the public until a person is invited to visit the home). But in Australia, wide recognition of furniture, as something more than a simply functional combination of timber and leather, has only taken place over the last 10 years.

Furniture is now increasingly considered as an extension of personality. It is beyond the beauty and functionality of modern furniture. A major part of its status appeal, however, lies in the story it tells where the owner of the furniture holds a thorough understanding and awareness of design and its place in the world.

[2] Govoni@CSILmilano.com. *"Ethical Consciousness and Emotional Satisfaction", 2002.*

[3] *Michael Cave. "Knowledge is Tomorrow's Status Symbol", Australian Financial Review, 10 April 2002.*

3 ITALIAN FURNITURE INDUSTRY

Italy is the second largest European furniture producer behind Germany with 24% of total European furniture production. It is also the second largest European consumer of furniture. The Italian furniture industry employs 215,000 people among 36,000 companies.

The Italian furniture industry is considered to be one of the best in the world. Italian companies are the leaders in a variety of styles and types of furniture. It is characterised by a system of furniture districts (clusters) in which each region specialises in a particular style of product. For example, the 'Made in Fruili' is a State Government endorsed trademark granted to products meeting the regional standards and is used as a marketing tool. It also acts as an incentive to companies to comfirm to quality standards.

Design is one of the key value added ingredients in Italian-made furniture. Classic and period furniture accounts for 20% of total product.

The Italian furniture industry is very competitive worldwide. It accounts for 10% of the world's furniture production. It exports more than 50% of its production and accounts for 20% of international furniture trade. Some 60% of exports are sold in Western Europe, and the balance to the markets in US, Asia, South America and Eastern Europe.

3.1 Success in the Italian Furniture Industry

History is important to furniture making in Italy[4]. It goes back well into the 1800s with its roots deep in the local culture. The knowledge passed from generation to generation is invaluable and this is more important than formal education for their intuitive sense and feel for what they are doing cannot be transferred through books or university courses. In Italy, as people work, socialise and live together, they pass on the subtleties of crafts and skills that cannot be conveyed in any other way. This makes it very difficult for another culture or country to *copy* this type of knowledge that takes many years to develop.

Timing was crucial as these industries developed concurrently with advances in technology that assisted them in improving their product and maintaining an edge. The process of learning, studying and experimenting continues to this day.

They were also fortunate not to be making products that would no longer be of use, but were creating something of timeless value that would be used the world over. Now, as the world changes, they change with it and their products are made with subtle changes to keep them in line with time. The distinctions are becoming finer, the uses more varied and the quality and diversity is always improving. Chairs are not just chairs. It would seem that every

[4] *Floyd Cowan. "Secrets of Success in Finland and Italy", Asian Timber, October 2000, page 5.*

possible design, material and style has been explored, but that does not stop them from looking for more variation or for another material to be used in a new or unexpected way.

Perhaps most importantly, is their love and their passion for what they are doing. Italians love life and their passion is illustrated in everything they do, from drinking cappuccinos in the afternoon sun to making a chair.

The Italian history and culture has a tremendous impact on the world.

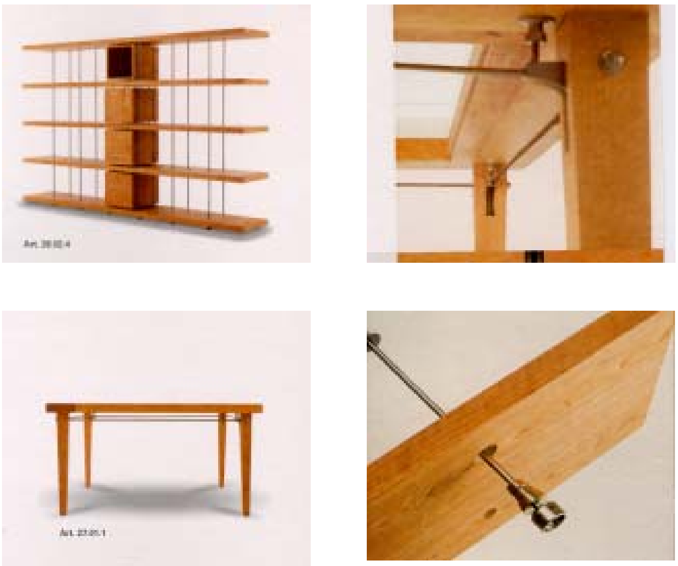
3.2 Italian Designs

> *Design shapes the world we live in and the things we live in. It gives objects form and produces meaning.*
>
> *Design gives the tools to make a world more beautiful and humane; one that reflects our intelligence and imagination; our dreams and desires.*
>
> *Design can create a world that reflects human life and work; places to live that give us shelter; places to work with no barriers to creativity.*
>
> *The power of design can speak of its time, evoke the human spirit, and act as an agent of change.*
>
> *Adapted from Teknion's Advertisements, 2001*

Design is pivotal to the Italian fashion and furniture industry.

It is one of the most significant and fascinating elements of the Italian furnishing industry. It has become internationally famous, enriched by its history, culture and lifestyle and inextricably intertwined with its entrepreneurial system and innovative manufacturing/networking processes.

Some Italian design houses such as Studio Piano Design can demand a very high base fee plus royalty on sales up to 15%, depending on geographical markets agreed. The use of the designer name or designer house such as ‘Studio Piano Design’ will certainly guarantee success of the products.



Riva's 'Studio Piano Design' Collection is a fusion of the creativeness of the designer, technician and specialised manufacturer. It highlights the natural cherry and mechanical details typical of refined architecture.
A juxtaposition of materials and lines that are mutually complementary and take into account of each piece in the woodworking process. It represents a fusion between mass and lightness with simple lines.
Timber: American Cherry and Multilayered Veneered

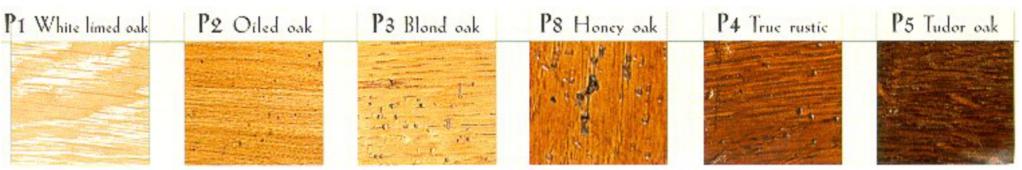
Roncoroni's Collection AERTA by Mauro Lipparini stands apart from trends and fashion and presents itself as a part of life, well-being, and as an integral part of the home – cosy, welcoming and reassuring. Timber: European Oak

The holistic approach in design with themes and storylines encompassing art, culture and lifestyles distinguish them apart from other furniture manufacturers and suppliers.

The role of industrial design institutions and Government agencies must be recognised in creating such a vibrant industry structure *(see Sections 2.6 Politecnico Milano and 2.7 Domus Academy)*. They work closely with the industry in creating and promoting young, new talents. A pavilion is dedicated to these young talents during the Milan International Trade Fair *(see Section 2.8 Milan International Trade Fair)*.

Whilst the contemporary designs are setting trends in the furniture industry, the classical and traditional furniture sector is still maintaining a large market share of some 50-60%. This is also common in the US market. Classical furniture represents a particular period in the past history, for example, Louis Philip, Victorian, Regency and Mission. The reproduction furniture is mostly made of wood of a particular species associated with that period of history. It must have a certain quality and finish, with craftsmanship being handed down from one generation to the next. The brand name, country of origin and wood species used are the main selling points.

Traditional furniture is made popular by the way of life with no connection with any significant past history. Antix's French provincial/country furniture is a typical example. The furniture is made from distressed oak to give it a rustic country look. The quality of finish is not of great importance and therefore blanket wrapping is not required for delivery. The more "knocks" the furniture receives during delivery, the better the value. Antix has created a niche market with a double digits growth rate for many years.



The more successful Italian companies have both under their flagship – small production collections and also their competitive, high production ranges. These companies are not just manufacturers per se, they may be focused firstly on marketing of the products, and sub-contract their manufacturing requirements to the cottage industry.

The Italian manufacturers/designers recognised the threat of Asian imitations many years ago and undertook a pragmatic approach in continuous improvement of their designs, innovative processes and communication strategy.

3.3 Machinery Manufacturers and Suppliers

The Italian Association of Woodworking Machinery and Tools Manufacturers (acronym 'ACIMALL') plays an important role in the Italian furniture industry. Through the contacts of its members, Morbiedelli and Biesse, visits to their customers (furniture manufacturers) were made possible under the guise of observing their latest machineries operating in-situ.

ACIMALL was founded in 1966 in Milan and now represents over 90% of the woodworking machinery industry in terms of production. Its purpose is to promote, coordinate and develop useful common initiatives in the fields of exhibitions, technology, finance and direct promotion on the foreign and national markets.

Morbidelli is part of the SCM Group of Companies manufacturing and supplying Boring Machines and CNC Work Centres for the furniture industry.

Morbidelli offers extremely flexible machines, in order to permit different and changeable demands of the market. Therefore, each machine is projected to allow a change of the typology of production without any difficulty.

Biesse was founded in Pesaro, Italy, in 1969 as a company specialising in the manufacturing of woodworking machinery.

Today the Biesse Group manufactures machining centres to work wood, plastic, marble, glass and aluminium.

3.4 Furniture Manufacturing in Italy

There are some distinctive variations in the supply chain of sawlogs to finished furniture products.

A large manufacturer may plan and source logs within or outside neighbouring countries, such as Bulgaria and mill to its specifications by a third party sawmiller. It may also engage contract manufacturers to convert the timber into various components and in some cases into finished goods. It will focus on marketing, distribution and logistics of the feedstocks at various stages. Some other manufacturers will choose a combination of out-sourcing and in-house manufacturing to suit their requirements.

At the other extreme, there is a large number of smaller manufacturers which focus on component making in a very specific value adding supply chain. They do not see the final products nor carry any stocks. They are production driven and paid by piece rates. This is very common around the Udine region which is world renowned for its chair making and chairs componentry supplies. A chair assembler with 8 people can assemble 800 chairs a day at a $6 contract rate. It is estimated that some 20 million chairs are produced each year in Italy. Labour cost is about the same as in Australia of around $20,000 per year.

The most common log species available are walnut, beech, cherry and northern European conifers. The logs are milled into slabs of pre-determined thickness and strip-stacked for kiln drying. The kiln dried or green strip-stacks are then supplied to furniture manufacturers. Sawlogs are generally traded as a commodity and price point is a major consideration.

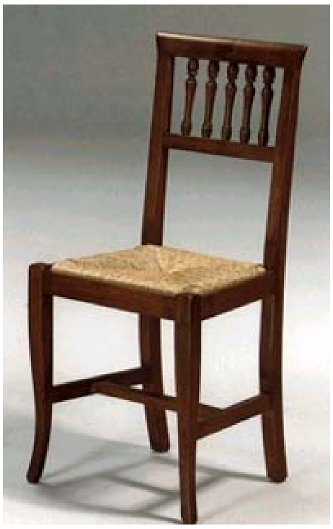
Logs in transit at Tirano, northern Italy.

Slabs in strip stacks at Bissoli.

Slabs ready for componentry machining
Pneumatic chair assembly line put together components in less than a minute.
Chair legs balanced and squared.

Components ready for chair assembly
Make-to-order ready to dispatch Most do not carry stocks.

A fully integrated furniture manufacturer will utilise every piece of timber from the slabs by first component cuttings, then recovery for smaller components. Waste such as sawdust and shavings are compressed mechanically as briquettes and sold as fuel for heating purposes. The fines are sold as food additive to enhance fibre content and texture. This is driven by the high cost of waste disposal.



Chairs by Bissoli and wholesale ex-factory $60-$110 without upholstery.

Chair making in Italy has become a major industry, supplying to world markets at competitive prices. Components are designed to suit several models of chairs. The Italian innovative way of mass customised production is an area that Australian manufacturers need to emulate.

3.5 Tuscany Region

Western Australia has a sister relationship with Tuscany and a link through its agency of economic development, *Agenzio Promozione Economica Delia Toscana* (APET).

The Tuscany region is one of five administrative regions in Italy that has autonomy and self-government.

CSM is a non-profit design and research service centre funded mostly by trade associations and on a user pays basis. By researching the product life cycles of production processes and raw materials, it focuses on 'green home' and 'eco-labelling' (eg ISO14001) of eco-compatible products. The centre has linkages with other design centres in Italy and other parts of the world. It currently has a 'Memorandum of Understanding (MOU)" through the University of Florence, with the Nanking University in China on advanced wood working technology. It is also believed that the advanced wood working technique is one of the driving forces in the globalisation of the Italian furniture industry.

With the WA-Tuscany MOU relationship already in place, it is possible to forge a closer working relationship with CSM and other Tuscany institutions to develop the proposed 'Design Centre' at the University of Western Australia.

3.6 Milan Polytechnics

Like most institutions in Italy, the *Politecnico Di Milano*, with a student population of 5,000, incorporates humanistic aspects into its teaching curriculum of Architecture and Engineering courses.

Whilst research is an essential part of teaching, the *Politecnico* adopts a practical approach by cooperation and forming alliances with the industry, as well as other Italian and overseas institutions. This encourages students to be familiar with the world in which they will be working in and identify the nature of the job requirements in any disciplines. It also provides support and stimulates growth around its geographical regions.

Such a relationship between design institutions and the regional industry is demonstrated very well in its Design for District (DxD) Project[5]. It is a workshop of experimentation in teaching methodology conceived in 1999 through the connection between the Industrial Design Course at this

[5] *Luisa Collina. "Design for District", PoliDesign, 2001.*

polytechnics institution and Lumetel, an agency for the local growth of district 10 (Sabbia Valley – Trompia Valley). Both were keen to transfer guided innovation from design to small and medium sized industries belonging to an industrial district.

This project was initiated as an incubator for design ideas (carried out at university and on the district area), followed by the students' placements in companies, design competitions and finally the dissertation.

It is an innovative, cooperative relationship and the stages are summarised below:

i) Sensitisation

Commitment from participating members:

60 final year students,
10 teaching staff, and
22 companies involving some 100 employees.

ii) Analysis

A synthesis workshop that converges several courses into a single design activity on a specific topic. It covers design, production, distribution and consumption problems.

iii) Experimentation

The students were then put into 60 work placements in 22 district companies for up to 1,000 hours.

iv) Design Competition

The participating projects are divided into three areas - product innovation, communication and strategy.

All projects within the placement will take part in exhibitions, presentations and compete for the prestigious International Design Award.

v) Prosecution

This project has resulted in 46 thesis degrees from the participating students.

Whilst the project was not focused on the furniture industry, the concept can be easily adapted. The University of Western Australia is very keen to review such a concept for its newly created 'Design Centre' under the School of Architecture and Visual Arts.

The *Politecnico* is currently developing a designer material resource library website called 'Materiali e Design' www.materialisedesign.polimi.it. It will provide designers with a powerful information tool to select from a wide collection of materials with technical information, applications and availability. The website is yet to be released.

3.7 Domus Academy

The Domus Academy was founded in 1983 as a post-graduate international school and cultural laboratory relating to the design and fashion world in Italy. It has an open structure with internal staff and a wide range of designers, planners, researchers and consultants that allow flexibility and continuous change.

In order to develop its research activity, it founded the Domus Academy Research Centre, a professional centre that works on strategic design and strategic research. It provides companies with consulting and advanced design projects in various themes relating to innovation in design strategies and product evolution.

The Centre's approach is based on an updated vision of traditional Italian design culture, which considers design as an integrated activity able to perceive signals of society transformation and market changes, and translate them into new products, into strategies of corporate innovation and into the growth of new competitive advantages.

Such a vision of strategic design creates a new interface between corporate culture and design activity and provides solutions at various design levels including analysis of lifestyle and consumption attitudes.

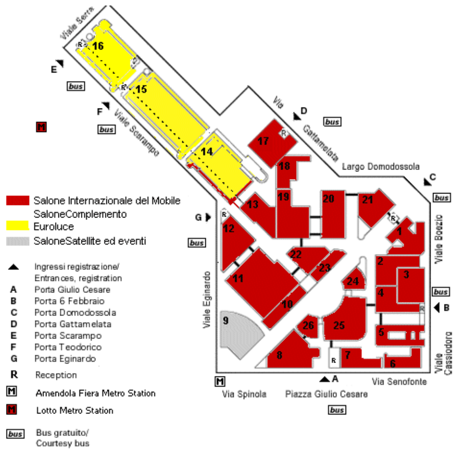
The centre focuses on four areas:

- advanced design,
- interaction design,
- brand culture and integrated communication, and
- design of materials.

The holistic approach in product and market research and development through to an adaptable corporate culture is of great interest in the proposed concept of the 'Design Centre'.

3.8 Milan International Trade Fair

This annual trade fair showcases Italian and international furniture, furnishing products and home décor designs. The 40th show was also held concurrently with the biennial lighting exhibition. The products on show at the Saloni (Trade Fair) range from the old favourite classic to the ultra-modern pieces.



Floor Plan of Milan International Trade Fair 2001
Exhibitors 2001 1,230 Italian, 249 foreign.
Exhibition area 2001 148,119m^2.
Visitors 2001 93,495 Italian, 80,021 foreign.*
** data of the three exhibitions held together (Salone Internazionale del Mobile (furniture), SaloneComplemento (furnishing), Euroluce (lighting)).*

The Saloni featured many special exhibits and cultural events as follows:

SaloneSatellite - presented a jury selection of 400 young talented designers worldwide including one from Melbourne Movement. It is aimed to assist their designs to materialise into marketable products by networking with leading furniture manufacturers.

iMade 2001: the ways of manufacturing - offered extraordinary insights into the Italian furniture industry, revealing cutting edge manufacturing processes and futuristic innovation. (see Appendix 5).

The exhibit **1951-2001 Made in Italy?** is a multidisciplinary exhibit of fashion and design industries over the last 50 years. It demonstrated how Italy's history, culture and lifestyle are inextricably intertwined with its manufacturing system.

4 SPANISH FURNITURE INDUSTRY

There are more than 11,000 companies producing and manufacturing furniture in Spain. The industry has a turnover of more than US$8billion per annum, and employs over 170,000 people in Spain.

Spain is now ranked fifth among European countries with Valencia as the main furniture manufacturing region. Main exporting countries are France, Portugal, Germany, UK, USA and Italy.

It is now a major driving force behind the Spanish economy as well as one of the main sectors in generating export income.

This sector has increased their level of competitiveness by offering quality products in terms of materials and the manufacturing processes, along with universally accepted designs and a wide range of styles (ie classic, contemporary, avant-garde, etc).

The boom of Spanish furniture in international markets during the past decade was not by mere chance, but due to hard work pursuing an objective – placing Spanish furniture and those involved in the sector as a point of global reference.

The success of this sector relies on the support and collaboration of institutional bodies, such as the ICEX (*Instituto de Comercio Exterior* - Spanish Institute of Foreign Trade), and business associations such as SIDI (*Salon International del Diseno del Equipamiento para el Habitat*) and Anieme *(Asociacion Nacional de Industrales y Exportadores de Muebles de Espana* – Spanish National Association of Furniture manufacturers and Exporters).

4.1 Anieme

Anieme was formed 27 years ago by 20 manufacturers as a non-profit association with the objective to assist its members to develop export markets. It has since achieved tremendous growth with eight full time staff and 800 active members (membership fee US$1500 per annum). It works closely with ICEX and organises user-paid activities such as trade missions, buyer visits and trade fairs. Anieme organises at least six trade fairs a year to Milan, Paris, Cologne, Birmingham, Singapore, Moscow, Tokyo, High Point and Shanghai.

Anieme's promotion stand at Paris Show 2002

Europe is its main export market. Its desire to expand beyond European markets has some mixed successes. The move into Russia coincided with a period of economic crisis in that country and subsequent attempts into the South East Asian countries fizzled out during the Asian currency crisis. However, Anieme will perserve and continue in identifying new opportunities to springboard outside the European market.

It has now become an important instrument in foreign promotion and positioning the Spanish furniture as '*Mueble de España*' - the brand that represents the entire Spanish furniture industry[5]. '*Mueble de España'* offers quality designed products at suitable prices and a wide range of collections that cover all styles, from pure classics to the avant-garde (see Appendix 6). The designs are reviewed and updated reqularly in line with market trends and combined with innovation and technology to achieve a good quality-price ratio. This has become the Spanish culture in furniture making and epitomised its success in international markets.

'Mueble de España' has quickly emerged to become the fifth largest European furniture producer and positions itself with its own signs of identity – dynamism, originality, variety and quality.

With the support of the Spanish Institute of Foreign Trade – ICEX, Anieme offers a wide range of services to buyers around the world:

- provides an extensive database of manufacturers and exporters of Spanish Furniture;
- handles negotiations with buyers, from the process of sale-purchase contracts and distribution to interpretation services;
- organises direct trade missions to take Spanish companies to different countries so that the buyers have direct knowledge of their offer; and
- organises overseas buyer visit programs to the Spanish fair – *Feria Internacional del Mueble de Valencia* (FIM) - the International Furniture Fair in Valencia, for home furniture; and *Ofitec* in Madrid, for office furniture.

To maintain its competititve edge in the world market, the Spanish furniture industry continues to:

- identify and open up new foreign markets and develop new market strategies, such as the collaboration with diverse companies;
- promote the '*Mueble de España'* trademark image and invest in marketing and communication;
- use new trade channels, such as electronic trade;

[5] *Immaculada Rey, Anieme, "Towards Global Leadership Of Spanish Furniture", Press Release FIM/Anieme/ICEX, 2002.*

- invest in processing technology, design innovations and R&D on new materials; and
- create efficient distribution channels.

4.2 The Spanish SIDI Initiatives

(SIDI – Salon International del Diseno del Equipamiento para el Habitat)

Design in Spain was first understood as a cultural concern and endeavour to improve the quality of life in its social surroundings.

The SIDI has been conceived as a means to activate the relations between producers – manufacturers and designers – and intermediate consumers – distributors and interior designers. It also aims to further intensify the conditions of exposition of the products by quality of production and finishes through traditional craftsmanship and innovation technological applications.

Spanish companies under the umbrella of SIDI usually exhibit at international fairs such as the Milan Fair.

SIDI has gained international recognition for its initiatives that overcoming the suspicions, antagonisms and often-conflicting interests of the different firms involved. Its unusual adventure has signified a genuine and beneficial revolution on the international design scene.

Today, Spain has an industry structure adopting SIDI's integrated design approach that support its market positioning as '*Meuble de España*'.

5 FRENCH FURNITURE INDUSTRY

The French domestic furniture industry is around US$9billion in 2001 – the third largest in Europe. The retail distribution is represented by approximately 11,000, mostly small outlets.

Trends in Paris are relatively hard to discern. Oak rather than beech dominated the wooden furniture sector both in the traditional and contemporary displays.

European and American white oak are widespread and cherry remains popular. There is also less maple being used and this may be part of the feeling that 'blonde wood' movement is trending out – although oak finishes are still light-coloured in the contemporary market. Traditional designs (solid hardwoods) are also on the wane, resulting in greater use of veneer rather than solids. Furniture in tropical species was rare except teak in the leisure furniture sector with clearly marked for its sustainable (plantation) credentials.

5.1 Paris Furniture Fair (Salon du Meuble de Paris) 10 – 14 January 2002

It was essentially a French affair with a large representation from local manufacturers. There was a significant absence of Asian furniture manufacturers:

- Surface 180,000 Square Meters
- No. of visitors 43,000 (20% for Foreign Countries)
- Exhibitors 1,200 (50% from Foreign Countries)
- Journalists 1,400 (400 foreigners from 39 Countries)

A major event at this show is the concept of 'le Village' – a village decor with places and little houses. This gives the exhibitors a better avenue to present their products on the stands, but also the whole package – the customer traffic, the signage and the overall look. The coloured and structured decor bathed in gold and vibrant light provides the buyers to view furniture in various defined atmospheres of life. It also set the scene for the furniture that tells a story of their designs.

The 'le Village' décor at the Paris Fair

5.2 VIA (Valorisation de l'Innovation dans l'Ameublement)

VIA (Valorisation of Innovation in furnishing) aims to promote the French creation in contemporary furnishing in France and abroad.

VIA carries out a number of activities:

- monitors the evolving trends and anticipates their effects on the spatial environment and on the design of products including the study of new materials and technologies (particulary technological transfers);
- awards several Carte Blanche grants each year to designers whose originality and maturity of creative approach are outstanding for the period;
- serves as a platform for collaboration between designers, manufacturers and distributors;
- organises and staging international design events and exhibitions;
- endorses with 'VIA' labels for products or product ranges that are a result from the cooperation between a French manufacturer and a designer.

In the words of Director Gerard Laiza, "it is through the VIA that the newest designs are developed and formal material and technological innovations become a reality. We have a dual mission: to make the industry aware of young creative talents, and to lead emerging designers towards solutions that are suited to the demands of the market".

It is funded from a government supported tax levy of 0.06% on furniture production cost (VAT in France is 19% and such a levy is comparatively small). This provides a fund of US$15million per year to support VIA and the French Furnishing Association[6].

[6] *Rene Cicchetti. Personal communication, January 2002.*

6 GERMAN FURNITURE INDUSTRY

The German furniture industry is the largest in Europe, both in terms of production and consumption. It has an annual turnover of some US$22billion employing 162,000 people with 1,400 companies[7]. Germany accounts for 27% of the EU production. Germany is also the leading country in the EU for exports and imports.

Furniture in Germany is well known for its durability and 'hardiness', as well as style and innovative design. Relative to the Australia furniture industry, there are fewer 'small' companies and more medium sized companies. The larger companies are the main contributors to export.

There are two governmental bodies that assist the furniture industry – the German Government and the EU.

The German Furniture Industry (*Verband der Deutschen Mobelindudtrie*, VDM) organises many industry related programs as well as collaborates with industry representatives and government bodies to assist the furniture industry in Germany:

- organises studies of export issues such as market structures and behaviours, and investigates the potential of new export markets and market niches;
- prepares information seminars for German businesses on how to begin export procedures, and how to better understand and organise international engagements;
- endorses participation in furniture fairs to display and advertise products as well as to exchange technology within the industry; and
- liaises with the German government and EU Commission and provide input into the EU-Business Support Program.

6.1 Cologne Furniture Fair 14 – 21 January 2002

The German market is the largest European importer with more than double the value of any country. The Cologne show has more international relevance and therefore targeted by more producers from all over the world. Like the Paris Show, oak was also widely used in both contemporary and more traditional designs[8]. Cherry, both American and European still remains popular but declining. There was an increasingly use of European hardwood species. This is undoubtedly linked to the shift of furniture manufacturing into eastern Europe (lower labour cost) and the efforts of European hardwood manufacturing groups to promote European species, particularly oak and beech.

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[7] www.hdh-ev.de

[8] *Hardwoodmarkets.com, vol 17, number 2, February 2002, page 1-11.*

The Asian exhibitors for the mass market were restricted mostly to a single pavilion and limited by area for each country. The Fair therefore maintains its exclusivity and focus on quality designed for middle to high-end markets.

In contrast to the Milan Fair's display of opulence and extravagance, the Cologne Show was mostly characterised with a balance of 'showing off' and 'doing business'.

Design was also the main focus in this show. The theme ran throughout the entire trade fair in the form of a 'Red Route' design program with design stations expressing their own interpretations of design and living themes. The Red Route was presented by famous German and international designers as well as by up-and-coming designers.

Some of the most important design and trend signals are:

- democratisation of design, ie design belongs to everyone;
- furniture is showing a bolder approach to light and colour;
- the continuous trend towards greater multi-functionality;
- transparency remains a major theme such as frosted glass in cupboard fronts or tabletops;
- move towards clear formal language that gives clearer contours for furniture; and
- consumer demand for living in comfort where furniture can be rearranged according to mood and feeling. There is an increased identification with one's own four walls.

7 AUSTRALIAN FURNISHING INDUSTRY

The Australian furniture industry is highly fragmented and many businesses are of a small size with low turnover. The industry is a significant employer with over 66,000 people – more than half are employed in the wooden and upholstered seat manufacturing segment. There is some clustering in centres around the capital cities. The industry output was valued at $2.7 billion in 1999/00 but with little growth in the past five years.

Imports have been significant and are growing rapidly. In terms of retail turnover, imports share has grown from 19% in 1993/94 to 36.4% of total $4.6 billion in 1999/00.

Import competition is mainly from low labour cost countries. Australia is a high cost producer relative to many Asian countries. Hence, its competitive advantage will lie in products that compete more on unique raw materials, design, quality and service rather than simply price. This means targeting export markets, which value these attributes. The market will therefore tend to be the more affluent countries of Europe, US and Japan and targeted affluent groups within other countries.

7.1 Australian Designs

Presently, Australia has some great designers and some of the most capable furniture manufacturers but rarely are successful partnerships established. Many of these talented Australian designers have been stimulated by activity abroad and they are respected for their uniquely Australian style. However, few of these designers work in mainstream manufacturing. Mostly, they have taken the initiative like the Spanish to have their designs manufactured by contracted industry specialists enabling them to continue designing and also to oversee marketing of their designed products.

The growth potential for Australian timber in furniture making would require a strong communication and positioning strategy to promote this beautiful, sustainable and unique resource with designs that have been inspired by the Australian way of life; and at the same time take cognisance of evolving global trends and fashions.

7.2 Action Agenda

In 1998, the Federal Government through the Department of Industry, Science and Resources agreed to develop the Furnishing Industry Action Agenda. The Action Agenda sought to provide a framework for the government and industry to work together to build the comparative advantage of the furniture industry and to promote innovation and the capacity for knowledge creation. It identifies the following six priority areas that required attention[9]:

[9] *"The Australian Furnishing Industry Action Agenda Plan – Meeting the Challenge", Commonwealth of Australia, 2000.*

- building capability through addressing management and trade skill deficiencies, increase in apprentices and traineeships in the industry, and improving knowledge of industry and retail data;
- building capacity through encouraging the creation of buying groups, promoting the development of networks and supply chain partnerships, examining process efficiencies, and capturing the benefits of regional industry concentrations;
- promoting innovation in both products and production processes, through increased research and development, the uptake of new technologies, and leading edge design that meets customer needs and expectations;
- improving market access and development through better servicing and developing the domestic market, identifying and developing export markets, and ensuring interested domestic firms have appropriate products and processes;
- promoting information technology through encouraging use of IT by firms and developing on-line systems for educating consumers and retailers; and
- reducing environmental impact and improved consumer awareness, including attention to recycling, waste minimisation and labelling.

It is interesting to note that most industry structures studied in this report focused export market development and concurrently developed appropriate designs for the target markets. This will spur production efficiency to achieve global competitiveness. A competitive local industry will in turn, support import replacement. The major outdoor furniture manufacturers in WA need exports in order to remain competitive in the Australian market. The Action Agenda, I believe, should put a greater emphasis on this design-market development alignment in its next phase of activities to drive comparative advantage.

7.3 Current Export Activities

Export activities have not been successfully coordinated at the National level in the past. The geographical distance has been one of the main reasons. It is further exacerbated by the diverse product range and material used, in particular, species of wood that tends to be influenced by the availability of local native hardwoods.

It is clear that each state has adopted an export program that is suitable to its members and State Government's support (Appendix 7).

The successes of Spain, Canada and Malaysia in export markets were based on well-planned strategies and proactive industry/government interventions.

There is a need to fast track our competitiveness, designs and communication/marketing strategies as we move into a borderless market place. The low labour cost countries such as Mexico and China are becoming more competitive not only in terms of cost, but through better designs and quality of products using the state-of the-art machinery.

8 A MODEL FOR THE AUSTRALIAN FURNISHING INDUSTRY

8.1 Overview

The Australian furniture industry is facing a number of issues as it seeks to compete in what has become a more global in outlook.

The threat of tariff reduction for Australian manufacturers and rapidly rising imports has placed the industry at the crossroads in terms of its competitiveness and its market share locally. Strategically, furniture manufacturers around the world, particularly developing economies and China, are expanding rapidly into export markets.

In 2000/01, imports of residential furniture rose 20% to $1.07billion, whilst retail sales fell 8.8% to $4.22billion. The major retailers are expanding into national markets and cutting their supplier numbers and, in some case, (such as the Freedom Group and Capt'n Snooze), expanding their own manufacturing operations.

Australian manufacturers need to adapt to the changing global environment if they wish to have a sustainable future. The Furnishing Industry Action Agenda aims to assist the industry to develop competitive advantage on the sources of customer value, ie, quality, design, capacity to effectively service a dynamic local retail sector and competitive global markets.

Another significant impact to the Australian furniture industry is the structural changes in the hardwood industry. The recent Regional Forest Agreement (RFA) led to reductions in the volume of hardwood available but promised some security and a concerted effort in adding further values to the native resource through local downstream manufacturing. Furniture manufacturing is considered as one of the most important industries in the value adding chain.

It is estimated that wood accounts for roughly 50% of the value of furniture industry output. Of this supply, hardwood probably accounts for around 40% and the balance from pine.

In 1999, BIS Shrapnel conducted a market share analysis of sawn hardwood used by Australian furniture manufacturers[10]:

[10] *"Industry Development Strategy for the Western Australian Hardwood Timber Industry," BIS Shrapnel, July 2000.*

Cubic Metres (m^3)	NSW	VIC	QLD	SA	WA	Total Australia
Jarrah	-	1,603	80	279	11,553	13,515
Tasmanian Oak	797	4,520	3,784	30	2,171	11,302
Victorian Ash	1,145	4,491	2,021	-	1,115	8,772
Other Australian	946	3,007	4,550	587	560	9,650
Imported Tropical	40	667	2,708	617	329	4,361
Total	2,928	14,288	13,143	1,513	15,728	47,600

Jarrah is the main species in Australia, followed by Tasmanian Oak and Victorian Ash. WA furniture manufacturers used the most sawn hardwoods (33% of the total volume), followed by Victoria (30%) and Queensland (28%).

A typical supply chain for wooden furniture products is shown below:

	Level	Description
1	Growers	State forest agencies Large private growers (pine only)
2	Processors	Diverse range of sawmillers - Largest – Gunns, Hyne, Sotico - Smallest <5,000m^3 pa
3	Manufacturers	Privately owned businesses - Major – Sales $8-10m pa - Small – Boutique outlets
4	Retailers	Home furnishing companies - Major – National networks – Harvey Norman, Freedom & IKEA - Small - Boutique outlets

The key areas of concerns for the Australian furniture industry are:

- increasing share of imports;
- national expansion of major retailers and control in upstream manufacturing;
- high cost structure of many smaller manufacturers;
- supply chain management, in particular, the future supply of Australian hardwood species; and
- rising exchange rate of Australian currency

Australian manufacturers should not focus on competing against low cost mass production furniture but create competitive advantages that are inherent within the industry, such as:

- using unique Australian hardwood species eg the rich dark colours of jarrah and red gum and the light colours of Victorian Ash;
- demonstrating Australian designer capability with a holistic approach from raw materials to finished products and selected niche markets;
- developing strategic partnership in the supply chain;
- creating regional networks to improve cost of manufacturing and reduce cost of distribution and marketing;
- unifying national approach in marketing and communication; and
- promoting a national quality standard.

8.2 A Proposed Industry Model

Many Australian manufacturers are now adopting changes to improve their competitiveness through the Furnishing Industry Action Agenda. The proposed model is a working model now being implemented through FIAA in WA with the support of the State Government and the industry members (see overleaf). This concept will be shared to other state branches.

The thrust of this proposed model is to create regional network groups and develop common business objective, shared expertise and cost to achieve international competitiveness. A number of potential defined geographical regions are listed below:

- Western Australia
- Victoria/Tasmania
- New South Wales/South Australia
- Queensland

The objective is to create a vibrant industry through a focus on export. Success in export will increase competitiveness and provide the opportunity for import replacement.

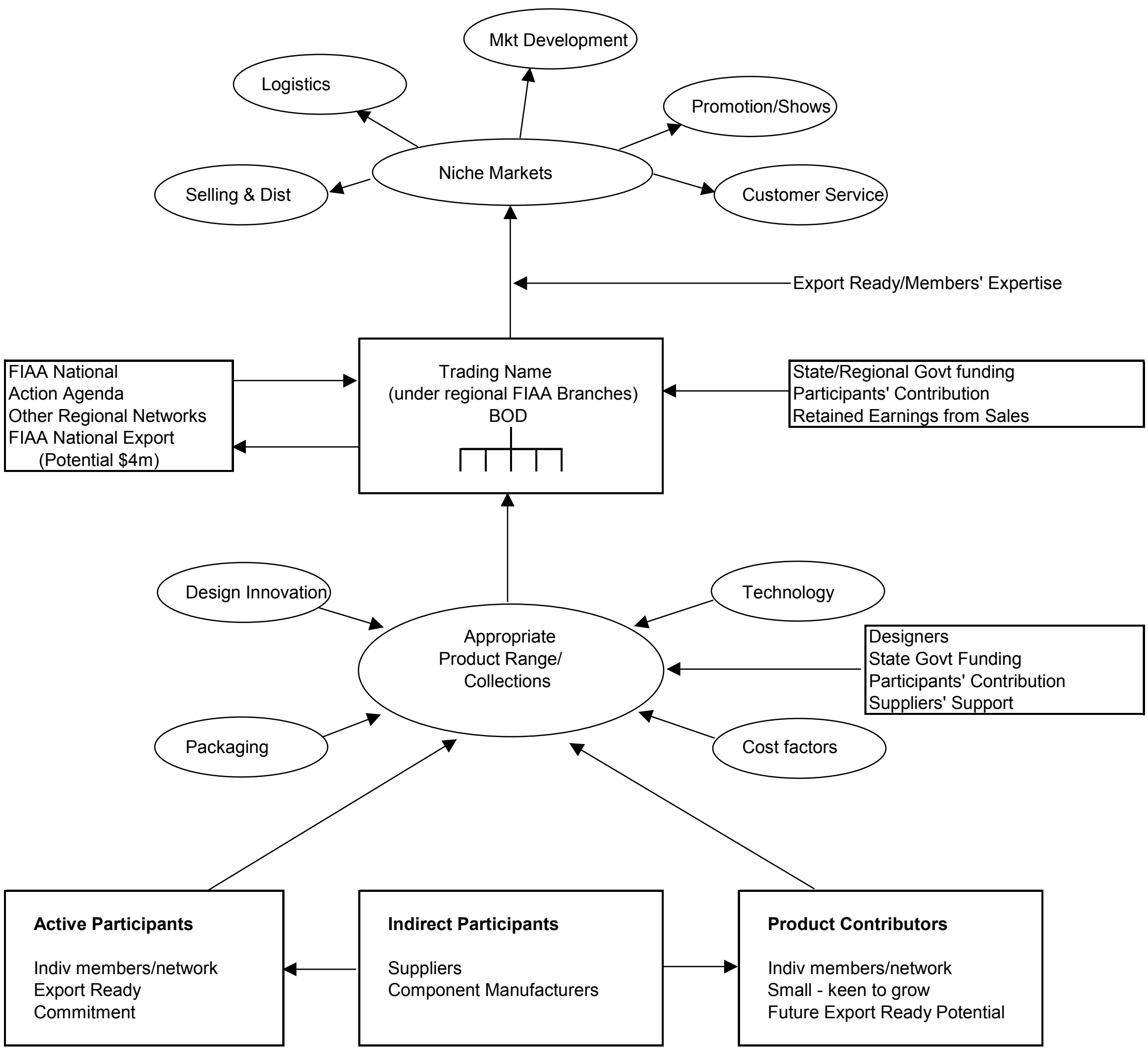
Export is not for everyone. It is costly, risky and requires focus and management time. The model aims to identify 'Export Ready' as 'Active Participants' to develop suitable, Australian designed furniture for national and overseas markets. Export Ready companies are generally medium to large and already have successful businesses locally and/or nationally. Some may already be established in export markets. The network groups will encourage successful members to become 'Export Heroes'. In turn, these Export Heroes will help to nurture future growth of new potential members.

Initially, the network will be managed by the Active Participants and eventually it will become a trading entity with professional staff in line with future income streams.

The model also allows small but potential companies to grow as 'Product Contributors'. They will form supplier-distributor arrangements with the network group without the exposure to the inherent export risk. The Product Contributors, however, will contribute product samples, exhibition and promotion costs and other direct expenses. They will be the future Export Ready companies with the potential to become Active Participants of the network group.

A third group, 'Indirect Participants' will emerge to meet the increasing export demands. They will focus on high volume cost-effective component manufacturing to product specifications. They will not be involved in export or complete the production process from raw material to finished furniture.

Proposed Furniture Network Group Model



The working structure of the network group is as follows:

- a trading company preferably registered under FIAA to maintain its independence and future membership;
- the 'Active Participants' are the members and will underwrite all liabilities of the network group. They are also members of the Board of Directors. The Board will have independent representations from FIAA;
- the members will pay an annual membership fee and the fee structure will be reviewed in line with future income and expenses;
- the Board may, in the future, declare dividends to its members (Active Participants only) after appropriate retained earnings to fund future growth;
- the group will contribute 2.5% FOB sales to FIAA, for its administrative support. It will also become an income stream for FIAA to grow and provide better service to its members;
- the 'Product Contributors' will join as associate members with a lower annual fee. They will have no direct involvement in the business activities of the network. Instead, they will focus on growing local and national markets; and
- future members will pay an appropriate entry fee to the network group as an on-going business entity.

The role of the network groups is to:

- identify appropriate product ranges or collections and carry out sales and marketing functions to achieve targeted sales and profit objectives;
- source funds to improve design, cost of production and distribution;
- work closely with designers or design institutions and utilise unique local materials such as native timbers and leather for higher value niche markets and positioning against cheap mass markets; and
- promote non-members as 'Product Contributors' or 'Indirect participants' subject to specified selection criteria.

This network group concept has the potential to create an 'industry cluster' for regional development and employment. As reported by Professor Michael Porter (Harvard Business School), the world's most influential thinker in business and marketing strategy, 'industry clusters' can promote innovations and global competitiveness[11].

The regional network groups will share their programs to avoid duplication of activities and open to all Australian furniture manufacturers to participate in the program on a cost-sharing basis. They will develop a strategic partnership with their suppliers to improve supply chain management and identify non-value adding waste activities.

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[11] *"How to kick global goals if Australia wants global success, it must learn to exploit its unique local strengths", David James, Business Review Weekly, 28 March – 3 April 2002, pages 49-55.*

A national export body under FIAA will be set up to coordinate these network groups and inseminate information to all interested parties. The national body will also undertake to source federal government assistance for market development and production efficient programs in line with the Furnishing Industry Action Agenda.

8.3 Outcomes and Future Work

There are four positive outcomes as a result of this research study:

a) Government Support

This research study reinforced the need for the Government to support FIAA (WA)'s initiatives in design and export development. The WA Government has set aside a four-year support scheme of $1million under its revised Forest Industry Structural Adjustment Program to FIAA (WA)'s strategies.

b) Proposed 'Design Centre'

Professor Patrick Beale, Head of School of Architecture & Visual Arts, University of Western Australia (UWA), travelled with the study group in Italy and was overwhelmed by the role played by the Italian institutions and government agencies in creating a vibrate furniture industry. He is now supporting the concept of such a centre for the furniture industry and, through the University, will provide the necessary facilities and administrative support.

The pivotal role of this Centre is adopting the Italian approach of collaboration amongst the industry, government and the design institutions locally as well overseas.

Both UWA and FIAA (WA) are currently drawing up a proposal to make this a centre for education, training and professional development.

To kick start this Design Centre, the WA State government has approved a design project for 2002/03 of $226.8k under the Native Timbers Support Scheme.

In the future, this Centre aims to cater for all members of the timber and furniture industry in Australia.

c) Use of Professional Designers

There are now several furniture manufacturers engaging professional designers to create a range of universally accepted contemporary designs using unique WA hardwoods. There will be more manufacturers adopting such an approach once FIAA (WA) rolls out its strategic plan with the WA Government's support program.

This is in stark contrast to the more 'traditional' and 'eclectic' look of WA furniture and the tendency for manufacturers to undertake the designer function in product development. There is also a stronger emphasis for the designs to incorporate component manufacturing and flat packaging for export markets.

d) Action Agenda for National Furniture Export

In 2001, I presented to the National FIAA Board a draft organisational structure based on the model adopted by the national Housing Industry Association (HIA). It is a model of 'Regional Focus' and 'National

Coordination' to better utilise resources and regional expertise. For example, WA has the expertise in exporting and is leading the country in furniture export, it will therefore be the regional centre for export providing services and coordinating export programs to all members. Other states will take up one or more areas of expertise such as labour relations, training, quality and so forth. The national office will integrate essential services and centralise administration, coordinate states' programs and lobby federal government. The FIAA Board is now seriously reviewing and working on this model.

At the National FIAA Action Agenda second Summit at Parliament House, Canberra, (26 September 2001) which was attended by furniture industry leaders and the then Parliamentary Secretary to the Minister for Industry, Science and Resources, Warren Entsch MP, I presented a conceptual model for a National Furniture Export Program. I was able to draw on my knowledge gained through this Fellowship and demonstrate the need for a competitive industry structure for a successful National Export Program. The evolved industry structures of Italy, Spain, Canada and Malaysia support such an argument.

The current restructuring of the timber industry has prompted the Forestry and Forest Products Committee in the Primary Industries Ministerial Council to consider a pooled national export marketing effort (Appendix 8). I am now working on a submission for the National Export Program and sourcing this government funding support of $4million over four years.

9 CONCLUSION

Many of the successful industry structures in the EU countries have evolved through history, culture and the changing needs of a large local consumer base. They will endeavour to maintain their competitive edge through innovative processes, trend-setting designs and market re-positioning. Asian imitations are not a major threat to their industries. Macro and regional trading blocks will also limit the extent of these foreign imports. Government support at both the country and EU level still plays an important role in their development activities.

The emerging furniture industries particularly in China, Poland, Malaysia, Indonesia and Mexico are fast-growing global players, taking advantage of their cheap labour and material costs. At the same time, they are emulating western producers in taking up innovative technologies and processes to ensure quality production. In addition, many importing intermediaries with know-how, designs, marketing and distribution networks are supporting their growth. If the current trend continues, these emerging industries will become significant global players in the not too distant future.

The Canadian experience is exemplary. The high exchange rate, free trade and imports from large competitive US counterparts have almost disarrayed its industry. The industry has since been revived through the proactive support of both regional and federal governments, as well as the preparedness of manufacturers to undertake strategic adjustments to become competitive.

There are lessons to be learnt from these successful industry structures. The Australian furniture industry is at a crossroad with high growing imports and low exports from its mostly cottage industry structure. The current Action Agenda for the Australian furnishing industry focuses mostly on production efficiency and greater emphasis is needed on product designs and market development that will, in turn, spur production efficiency to achieve global competitiveness. Imports share can then be effectively and sustainably reduced.

The focus on downstream value adding in the current timber restructuring process will provide further impetus to the Australian furnishing industry. The Forestry and Forest Products Committee in the Primary Industries Ministerial Council has recently requested a submission for a pooled national export marketing effort. This support will fast-track the consolidation and cooperation of the current regional export market development activities.

The future of Australian timbers in furniture making would require a much stronger commitment from both the manufacturers and the government. The role of the government is pivotal, as the timber/furnishing sector is one of few manufacturing industries in Australia that provides significant employment and regional development.

Undoubtedly, the solidarity of the Australian furnishing industry through the effort of its peak body, the Furnishing Industry Association Australia (FIAA) is becoming more apparent at both the regional and national level. Strategically, Australian made furniture can be uniquely positioned and become competitive in the world market place.

APPENDIX 1

Media Statement
Minister for Agriculture; Forestry & Fisheries
Minister for State Development and Small Business
5 April 2001

DESIGN KEY TO FURNITURE EXPORTS

Improved design was critical to the future of the state's developing quality furniture industry, Agriculture, Forestry & Fisheries Minister Kim Chance said today.

Promising markets had been opened up overseas, but local design skills needed to improve if manufacturers were to stimulate greater demand in existing markets and penetrate new ones, he said.

"Our unique native timber and quality workmanship are well recognised, but we need to improve further in the design component," Mr Chance said.

With this purpose in mind, a group of industry leaders left Perth at the weekend to study the latest design trends at furniture factories in Italy.

The group will also visit the annual Milan furniture fair, acknowledged as the world showplace for design innovation.

The head of the school of architecture and fine arts at the University of WA, Professor Patrick Beale, is with the group to ensure all design elements are captured and interpreted.

The visit has been supported by the Forest Products Commission and the Department of Commerce & Trade (now known as Department of Industry & Technology, DOIT) and a marketing and business development officer from each agency is accompanying the group.

Mr Chance said the study tour was part of the Government's strategy to increase downstream manufacturing and add value to timber products in line with industry restructure and the halt to old-growth.

State Development and Small Business Minister Clive Brown said it was the first time representatives from WA had gone to Italy to focus on design.

"Italy is the most successful manufacturer and exporter of quality furniture in the world. It is a country with an unrivalled reputation for value-adding, which is the path we are following here," Mr Brown said.

"Designers there are seen as an integral part of the manufacturing and marketing process whereas here they can sometimes be regarded as being on the fringe. It's a cultural legacy which needs to change if we are to really expand our markets."

Heading the group is the owner of Inglewood Products Group, Mr Ardino Gosatti, together with Sotico's marketing manager, Mr Chuan Ong, in his capacity as chairman of the Furnishing Industries of Australia (WA) export committee.

Ends.
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APPENDIX 2

Milan Educational Trip by Gary Bennett

Having visited various furniture manufacturing companies and the Milan Fair, it would appear that Australia has a long way to go to be competitive in the world of the indoor furniture market.

The need for a design, marketing and manufacturing strategy for our wood industry as a whole would be a good place to start.

It seems that the Italians have branded themselves as leading designers and manufacturers of fine furniture and have cleverly regionalised their production and technologies so that different aspects of production can be out-sourced cost effectively.

In my humble opinion, Australia, which already has a worldwide reputation for open spaces, a raw clean environment, inhabited by easy going, fun loving people; has the opportunity to use this existing branding to develop niche markets for high quality products.

This is being done with the wine industry with a good degree of success. In the designing world, Australia has also had some success with guys like Mark Newson hitting the world spotlight and this would perhaps be a leg in the door for other Australian designers.

We are lucky in Western Australia to have Jarrah, which is unique in colour and grain and would probably have stood out at this year's show amongst the blonde and brown stained wood. I would think we could offer something different in an otherwise homogenised pool of European designs.

We could take advise form European designers but I think we would do better developing our own design philosophy so we don't just serve up more of what is already on offer. One place we visited was the Domus Academy who had a very interesting view on design, not just being the aesthetic, but the philosophy of design that runs right from the conception of a company through financial structure, product development and marketing. I though this formula could be applied to our forest industry starting with forest management, to milling, to value adding through product development to marketing whilst all the time reflecting our unique Australian attitudes and ancient landscapes.

All in all, it was a very educational trip and to see first hand the very rich culture Italy has to offer was quite something. It also help me realise that what we have here in Australia is also very special and if we can capture some of that essence in our product, the world market would probably find it quite appealing.

Gary Bennett, Managing Director,
JahRoc Furniture 27 April 2001

APPENDIX 3

Furniture Industry in Canada. The Impact of Liberalisation: Communicating with APEC Communities. Nov 1998

Prior to the Canada-US Free Trade Agreement in 1989, furniture manufacturing industry in Canada had been a cottage industry. Much of the industry is composed of family-owned companies. Most of these companies run single plant, small operations with the sales less than a third the size of the average Canadian manufacturing companies.

The industry had little experience in export markets and had depended upon tariff protection of 12.5-15% to compete in the domestic market against larger, American competitors. It typically produced a wide range of products, each with small production runs to fill the diverse needs of the small Canadian market.

To assist the industry adjustment to free trade with the US, the Canadian federal and provincial governments launched a number of initiatives designed to boost the competitiveness of Canadian manufacturers and to enhance their ability to sell into the US market:

Government Policy Measures

- Assist export market development through trade shows, incoming buyers, missions, market studies and education seminars;
- Assist industry stakeholders in making sound strategic business decisions by providing statics and other information;
- Create an Industry Adjustment Service Committee to analyse and review human resources and training system. Develop innovative training curriculum and help address social factor and human resource issues arising from adjustments;
- Create Furniture Sector Campaign and offer financial supports to help upgrade design, quality and productivity;
- Set up national product standards and ensure harmonisation of the Canadian and the US standards. Help firms understand the Buy American Act and European product and performance standards;
- Offer provincial awards to recognise design and marketing achievements, and provincial tax credit for design costs;

Strategic Adjustments by Manufacturers

- Explore export opportunities in the US market aggressively, move and open showrooms in the southern US;
- Concentrate on specific product lines, remove non-competitive product lines, lower cost through production and distribution consolidation;
- Focus on niche markets; pay attention to specific customer needs, increase responsiveness to customer needs, enhance timely delivery and flexibility;
- Offer superior product design, quality product, improve customer service, build strong brand name recognition and customer loyalty;

- Invest in the state-of-the-art technologies and equipment, enhance capabilities for innovative design and unique style product, and improve productivity;
- Increase value/weight ratio and reduce transportation cost.

Since the tariff cut, many companies were caught in different stages of preparedness, compounded by both a severe recession and an appreciation of the Canadian dollar.

Recovery began in 1992. The industry has become much more internationally focused, with exports soaring more than 3.5 times to US$3.5b. The industry now exports 55% of its output.

A general feature of the Canadian industry's response to free trade has been a shift towards more specialised, high value -added segments (ie office) of the market.

There has been also a trend towards bigger firms and greater concentration of production. Average sale per factory increased by 74% to US$4m (1988 –1996) but this is still significantly smaller than the average US factory.

Productivity increase dramatically, with the value added per employee rising from $US37,565 to US$62,244 over the same period although it remains 20% below the more capital intensive US industry.

Companies also developed more focused product lines and distribution philosophy of establishing closer relations with a smaller number of retailers. The approach was that no two retailers would compete in the same market.

The passage of the NAFTA Agreement in 1994 superseded the US-Canada Free Trade Agreement. Canadian tariff barriers to Mexican imports are coming down in stages, heralding a new round of competition.

The primary response by Canadian producers to trade liberalisation was to shift to higher value products, leaving the lower cost end to the big US companies. With Mexican produce starting to make its presence felt, US producers may move up the value chain renewing the pressure on Canadian companies.

The Canadians also recognises the need to diversify its export markets. The US accounts for 96% of its furniture exports (representing 20% of US imports).

Despite the painful adjustments to become more efficient and competitive, the Canadian furniture industry has benefited from the trade liberalisation. There are still many challenges ahead:

Increased competition from low-priced Mexican furniture in the US market.
Over dependence on US market
Continued low productivity as compared to US counterparts
Rising cost of materials and supplies including wood (30% more expensive than US)
Securing a quality work force.

Source: Industry Canada 1996, 1997a; Art DeFehr 1989; Ryan B. 1992; Bagley, D 1990

APPENDIX 4

Malaysian Furniture Industry

The fast maturing Malaysian furniture industry expands vigorously every year. It has been identified as a 'target industry" under the government's second Industrial Master Plan (IMP) for the period 1998 to 2005. For the past decade, the annual exports of Malaysian furniture rose from US6.75 million to more than US$500 million. The industry forecasts indicate it will achieve US$1.5 billion by 2006.

Rubberwood furniture has been the mainstay of Malaysian furniture exports (80% of total). As early as mid 1980s, the Forest Research Institute of Malaysia (FRIM) started to investigate and research on rubberwood especially on wood preservation, moulding and glue properties. At the same time, the furniture manufacturers were encouraged to invest in research and development (annual expenditure US$75m), assisted by tax incentives and protective regulations. The industry can now utilise the latest production technology and hence change its focus to produce higher quality and value added products catering to the medium and higher end markets.

Malaysia is now ranked among the top exporting furniture nations in both the USA and Japan. The industry keeps its buyers well informed of its ability to supply and manufacture in the long term based on the nation's richness in natural resources and its replanting program.

The Malaysian Furniture Industry Council (MFIC) is the official and national trade body to represent the general interests of the Malaysian furniture manufacturers and exporters. In recent years, the MFIC together with the assistance of the government and its statutory bodies have grown rapidly and therefore contribute significantly to the overall economic growth of the country.

Today, the MFIC has a direct membership of more than 300 companies comprising mainly furniture manufacturers and exporters. Through its Chartered memberships, which are represented by State associations, it has more than 1,500 indirect members throughout the country.

Under the Malaysian Gazetted Acts, the MFIC is one of the recognised timber associations by the government. This recognition enables the MFIC to project its views as executive representative on the board of directors or trustees of:

- Malaysian timber Industry Board (MTIB)
- Malaysian forest Research Development Board (MFRDB)
- Malaysian Timber Council (MTC)

The Government, through the Malaysian Timber Council and the Malaysian Timber Board has provided continuous support in advisory services and technical expertise to the ambitious furniture industry, contributing greatly to its current success.

The Government's effort in R&D has enabled the furniture industry to transform rubberwood from what was once considered as fuel wood to a much sought after timber material for furniture making.

Source: www.mtc.com.my

APPENDIX 5

iMade® 2001
The many ways of manufacturing: exactitude and inventiveness in the Italian furnishing industry (Pavilion. 9)

“It often gets mistaken for simplicity, but only by those who fail to comprehend the work that goes on behind the scenes to achieve that simplicity, to get right down to the essential. What people often can't see is the effort that goes into stripping away the layers of redundancy to disclose the compellingly meaningful, the truly beautiful that lies beneath.” (Bruno Munari, 1990)

The event looked at innovation primarily in terms of raw materials, but also suggested the notion that there is **a typically Italian method of producing innovation**, based on a unique approach to modern manufacturing methods. An approach that is far more intuitive and experimental than scientific, and thus quite unique in its field; there is widespread reliance on a manufacturing rationale that conjures up its own technical solutions for adapting existing technologies to current tastes and lifestyles, rather than the reverse.

The core of the event will be the originality and innovation embedded in Italian production processes over the past few years.

By taking a close-up look at Italy's present-day manufacturing system, iMade® 2001 intends to celebrate the industrial culture that supports the country's furniture making industry, by giving an account of its unremitting search for innovation. However, there will be no products on show at the exhibition - any items on display serve only to illustrate the single-mindedness and resourcefulness that today characterise the development of new products in the Italian furniture industry.

iMade® 2001 actually showcased these aspects by presenting some thirty "emblematic cases" singled out from the past several years. Though them visitors will learn how industrial research is undertaken while at the same time their attention will be drawn to situations that are quite unique to Italy: a group of highly innovative “success stories”.

The exhibition represents a journey through the world of manufacturing: along the way the Salone will explain some of the characteristic features of Italy's recent industrial system that have contributed to its rise to international prominence, earning recognition as the dominant influence in the field of furniture production.

The story is set out in a display comprised of two fundamental elements: a series of thirty 2-by-3 meter walls and large tableaus illustrating each of the cases, with pictures, descriptions and some of the actual materials employed.

The highlight of each "story" is the component or product range which required the adoption of a new manufacturing process and the development of "tailor-made" technical solutions.

APPENDIX 6

Diversity of Furniture Styles

In keeping with consumer demand of different countries, Spanish manufacturers offer quality furniture of all styles:

a) Modern Furniture

Modern furniture is consolidated and continues to grow in the world market. Conscious of the new functions of domestic space this century, this type of furniture follows the intelligent design line on its more creative side.

The result is versatile and multi-functional furniture for flexible spaces of today's home. In the colours one can appreciate a predominance of dark woods such as walnut, dark cherry and wenge, complemented with other materials such as quality plastic, aluminium and glass, that give the furniture a transparent effect and a sense of space and light. The contrast of the dark woods with upholstered fabrics in lighter, monochrome, natural tones, however without losing the bold colours entirely.

The modern furniture sector, together with that of avant-garde design has great projection, driven by the manufacturing and buying trends, due to its versatility, quality-price ratio, its adaptation to the new consumer needs and spaces, etc. More and more, modern furniture is profiled as one of the styles in greatest market demand, with great acceptance and is positioned as an increasing value in the furniture sector.

b) Classical furniture

Classical furniture conquered Hollywood, the true protagonist of enchanting sets; and dresses up rooms and palaces throughout the world with style. The long tradition great creative capacity and excellent quality of finishes has placed the Spain industry as the main producer on a global scale.

There is a marked trend for the admiration towards the legacy of time and richness in contents. More and more, there is closer collaboration between the manufacturer and the industrial designer resulting in the renewal and reinterpretation of the furniture, placing great emphasis on the care for detail. The variety in this type of furniture is one of the predominant factors in Spanish production.

This sector is characterised by the quality of its materials, manufacturing techniques, design and finishes, creating its own setting of solemnity and respect for the past, without forgetting the needs and tastes of today. Classical furniture is something more than an isolated piece with certain style; it forms part of a concept of interior design and décor that, day in day out involves unavoidable reference throughout the world.

The classical furniture sector reprensents 40% of Spanish furniture in production as well as exports.

c) Avant-garde - Design Furniture

The ingenuity when using new materials or applying those of a more traditional nature in an unusual manner, the search for harmony between the object and space, the research regarding functionality, technical resolution and aesthetic effect, the transformation and the juxtaposition of materials and shapes are fundamental for those who endeavour to put an idea into practice, aware that discovery lies *en route* to creation.

The avant-garde furniture has a privileged position in the Spanish industry. This position is motivated by the inarguable relevance that the presence of technical and formal innovations has on an event that stands out due to its bid for new trends and protecting the talent, quality and risk in design. Design furniture is on many occasions a revision of traditional aesthetic techniques, one step further in the search and research of new concepts.

d) Rustic Furniture

Rustic Furniture continues to boom with its demand is closely linked to the new consumer trends. Informal rooms, recreational homes and country retreats require the recovery of a style that evokes other époques and that requires specific manufacturing methods in order to achieve that nature touch, more soothing and rudimentary in appearance.

In this way, this sector, together with that of garden furniture has undergone a growing demand over recent years, motivated by the increased standard of living and purchase of second homes, which give off an informal air.
The manufacturers of these sectors recover traditional practices and materials to create comfortable and natural spaces and to generate an image of peace and tranquillity.

The care that these companies take with their products results in furniture of high quality and prestige, with an emphasis on the combined use of traditional techniques with state-of-the-art materials and new production methods. In this type of furniture, as well as the care of basic lines, the natural aspect that surrounds the product is taken into account. The wood and materials used are treated individually, obtaining finishes of unmistakable quality and resistance.

e) Upholstered Furniture

The upholstered sector is a fine example of technological development applied to the furniture industry. It concerns items for which the end consumer demands double functionality, relaxation and decoration. This requirement, accentuated more and more, obliged manufacturers to continually research more ergonomic and aesthetic solutions.

The upholstered furniture not only develops techniques and technology to achieve a decorative or quality aesthetic effect, but places emphasis on research in order to create products of greater comfort. All this has made this sector one of the most dynamic, where innovation is especially valued, both from the point of view of design and comfort.

f) Garden Furniture

The spectacular growth of the Garden Furniture Sector is due to a higher standard of living attained in recent years. Everyday, more and more consumers decide to fit out their second home or even live in the country, or enjoy a roof garden in the city centre. In any case, the passion for the outdoors air and in natural environments characterised the modern way of living throughout the world.

The sector has been obliged to develop in order to gain competition and this has been helped enormously by the discovery of new manufacturing materials. Expanded resin, stainless aluminium lacquered in polyester, rattan, manoao, manila, teak and upholstery that is much more resistant to the sun and humidity, have boosted the creation of articles that enable the luxury of design and can adapt to the current aesthetic tastes without losing their primordial function: offering maximum comfort and weather-resistant, everyday offering better quality and durability.

Source: Immaculada Rey, Anieme, "Towards Global Leadership Of Spanish Furniture", Press Release FIM/Anieme/ICEX, 2002.

APPENDIX 7

Australian Furniture Export Activities

Victoria

The old KAGU Group, now Louwin International (six years old) operates out of the Japan/Australia Furnishing Industry Business Chamber. Duncan Louey, (export manager) visits Japan every six weeks on behalf of firms from Victoria, Queensland, New South Wales, and Tasmania. Only a small amount of business currently comes from Western Australia and South Australia. Louwin operate under a success fee structure and assist firms to become export ready. Services offered to firms includes:

- a diagnostic review to assess export potential;
- a feasibility study and marketing plan; and
- help to become export ready and introduction to business networks.

The Chamber is aligned with key players in the Japanese furnishing industry. Japanese buyers look for quality, reliable lead times, dependable after sales service and secure packaging. Mr Louey highlighted the competitive advantage of supplying well-finished products to the Japanese market. Ex-pat customers in Tokyo have proved to be an excellent marketing tool for displaying Australian furniture. Thirty percent of furniture supplied to Japan is downsized to suit the market. However, buyers are increasingly purchasing normal sized goods.

Mr Louey stressed for the industry to be really successful at exporting on a large scale there needs support at the national level. A dedicated driver to assist firms to become export ready and to convince them of the long-term benefits to be gained for the industry through growing exports is also essential.

China is beginning to open up as a potential market for Australian furniture. A Queensland firm recently received a large order to supply leather sofas.

The CRL Group from Melbourne are marketing agents for the furniture industry and have been active for approximately seven years. The Singapore Furniture Fair held in March each year is a significant event for CRL (400m^2 of exhibition space). The Fair is a truly international with serious buyers attending from all over the world. It is proving more economical to use this event to promote Australian products rather than a series of smaller fairs.

Over the years CRL have developed a network of reliable contacts in Japan, Singapore, and more recently China. The focus on Japan has reduced somewhat due to the recent economic downturn in that country but activity in China is increasing. Its principal is Colin Lamerton.

The ADL Group (comprises a network group of 6 companies) is in serious preparation for export to Europe. Peter Wilson and Rex Carr are the chief organisers for this group and currently in discussions with the WA Group for cooperative export.

Victoria/Tasmania, along with Western Australia and South Australia have invited René Cicchetti, a French expert in the export of furniture, back to Australia for Furnitex. This is his third trip and he has been interviewed by government representatives in all three states and they have agreed that they would work together with the National Office to receive a marketing plan and strategy from René for export based on a five-year programme. Rene's proposal received for the European market development and will be considered under the National Export Program in 2003.

The Victorian and the Tasmanian Group, Style of Tasmania, meet regularly for cooperative export and design initiatives. They have shown strong interest to work cooperatively under a national export program.

New South Wales

The majority of Australian furniture exports are ex-New South Wales. Over the years, members have sought limited assistance from the FIAA, preferring instead to 'go alone' or to link up with other consortiums such as 'ADL' and 'DOPLA'. New South Wales are prepared to add export/market development to their initiatives.

South Australia

The South Australian has assembled a group of seven companies who are currently looking at export opportunities in the UK. A representative from the group is hoping to visit the UK in the near future to meet possible contacts and carry out some market research into the feasibility of exporting.

Queensland

There was an active group of exporters in past years but from around 1998 onwards most Queensland firms have operated as individuals. Six of the larger firms export on a fairly regular basis. Most use export market managers and generally export to Japan, China and more recently Hong Kong. One of the outdoor furniture exporters have appointed an export manager who spends 80% of his time travelling outside Australia looking for export opportunities for his company. One furniture firm (Janda) actually does all their export marketing themselves but this is the exception rather than the rule.

Western Australia

There are three major outdoor furniture manufacturers very successfully in export markets, representing about 50% of their total turnover. They operative independently and very supportive to FIAA, WA's export initiatives for indoor furniture.

Western Australia commenced their indoor furniture project in May 2001 by investigating the developing trends emerging in Europe and also visited Italian furnishing manufacturers to understand how their industry clusters work, how they intend to meet the challenges of supplying the market in a timely and efficient fashion. They also looked at how the Italian industry integrates with local designers and design schools to ensure that Italian industry remains a leader.

Stage two has recently been completed with a mission from WA exploring the USA market and to enhance relationships with potential buyers, distributors, manufacturers and media. The activities centred around the San Francisco Furniture Mart in July 2001 with exhibitors featuring a cross section of products to establish links with key retailers in the US. An excellent marketing campaign generated good exposure with editorial coverage in Furniture Today. The interest was more particularly directed to the unique Natural feature grade and jarrah products, which are becoming quite well known internationally.

Stage three is to develop a holistic approach in design from the forest to finished products, aligning to Australian themes as well as global trends and fashions. A stronger regional network group to promote, communicate and position the concept of "Australian made Furniture". In addition to the US markets, potential markets in Europe and UK will be explored cooperatively with other FIAA state members.

Source: Inputs from FIAA State Representatives.

APPENDIX 8

Primary Industries Ministerial Council **Forestry and Forest Products Committee**	*Meeting Number* FFPC-1 *Location* Adelaide, SA *Date* 22nd February 2002 *Agenda Number* 8

Assistance for Development of Export Opportunities for Australian Timber Furniture

1. To seek support for assistance to enhance pursuit of export opportunities for timber furniture.

Background

2. The Furniture Industry Association of Australia (FIAA) currently receives funding through the Commonwealth Department of Industry, Tourism and Resources under an Action Agenda. This funding (ca $4 million) does not extend to export enhancement. (Information on this Action Agenda is available at http://www.industry.gov.au/agendas/Sectors/furniture.)

3. Forest industries around Australia are restructuring as a result of reduced levels of allowable harvest under RFAs and other land use decisions. Furniture and other downstream manufacturing industries are being encouraged to make more use of native forest timber resources - a move that increases employment from the reduced available resource, and maximises the value of Australian hardwood timbers.

Consideration

4. Many furniture businesses in Australia are relatively small on an international scale and are not able to invest in the required scale of market development to access export markets such as the USA, Europe, South East Asia and the Middle East.

5. Collaboration between manufacturers has been partially successful, but experience is showing that real progress will require the formation of a dedicated trading company to develop and service markets on behalf of Australian manufacturers.

6. Some States have recently provided support for enhancement of the furniture industry (WA has provided $1 million as part of its forest restructuring package, the Victorian industry contributes through the Timber Promotion Council, and Tasmania has invested significantly in design and in exhibitions around the globe). However, more investment is required above this level.

7. The FIAA estimates that formation of a trading company would require $1 million per annum over four years to establish and become self-sufficient.

Recommendation

8. It is recommended that members support the submission of a proposal to PIMC seeking endorsement of a submission to the Commonwealth for funding assistance to the Australian furniture industry for formation of a trading company to sell Australian-made timber furniture in export markets.

For Decision

Forest Products Commission
Western Australia