SECTORAL COMPETITIVENESS ROADMAP

FURNITURE SECTOR

Executive Summary

The Philippine furniture industry, which is 98% categorized under SMEs, provides 2.1 million indirect workers nationwide and provides business to 5.4 million in supply chain. Our industry represents .08% of the total export of the Philippines. Because we are known wordwide to our design and quality, our country was regarded as the “Milan of Asia.” 99% of exported furniture came from Cebu, Metro Manila and Pampanga.

The Philippine Furniture Industry in the year 2030 shall be the global design innovate or/center/hub for products using sustainable materials. To achieve this, the industry should focus its programs on four (4) key development factors: 1) product development, 2) marketing, 3) capacity building and 4) advocacy.

The three major furniture production areas in the country are in Metro Manila, Pampanga and Cebu. Metro Manila and nearby peripheral cities in CALABARZON (Cavite, Laguna, Batangas, Rizal and Quezon consist of small, medium and large furniture enterprises which specializes on wood furniture and other mixed materials. Pampanga is associated with hand-carved wood, wicker and iron products whereas Cebu, which is used to be the heart of rattan furniture making in the country is now known for its fine wood furniture works.

Over the years, export furniture production in the Philippines rapidly evolved, expanding its scope to become Asia’s acknowledged leader in a wide range of well-designed medium to high quality furniture products.

However, the surge of imports of cheap furniture from among the competitor countries has hugely affected the Philippine industry. Notwithstanding the fact that the recession in the global economy for the major markets as well as the fluctuation in the peso-US dollar exchange rate have lead to massive downsizing in the industry caused by closure of firms.

The industry is experiencing difficulty and is already at a surviving mode.

This roadmap thus, will jumpstart the industry and will provide a long-term dynamic approach to move the industry further and realize the 10-15 percent annual growth rate in the coming years.

To achieve this, the relationship of both government and the private sector should be intensified: where the private sector should be the LEAD while the government is requested to be the RESOURCE GENERATOR/PROVIDER.

The prayer of the industry is for the government to consider this roadmap and work towards realization of programs stipulated in this document in to further the industry and the nation as a whole.

Chapter 1. Introduction

1. *Perspective on the Roadmap*

This roadmap was a result of presentations of inputs from the relevant sectors which have an impact to the furniture industry. It was an exercise of "thinking outside the box". The casting of vision comprises into four (4) divisions: Product Development, Advocacy, Marketing and Capacity Building. It will be a plenary of overarching vision for the furniture industry.

Prevailing conditions at the time the roadmapping is being done

The Philippine furniture industry, which is 98% categorized under SMEs, provides 2.1 million indirect workers nationwide and provides business to 5.4 million in supply chain. Our industry represents .08% of the total export of the Philippines. Because we are known wordwide to our design and quality, our country was regarded as the "Milan of Asia." 99% of exported furniture came from Cebu, Metro Manila and Pampanga.

Intended users/readers of the roadmap

This roadmap were produced initially to provide direction to the furniture manufacturers and to provide information on where the Furniture Industry were headed. This will serve as reference locally and internationally to determine on the Philippine Furniture Industry.

Chapter 2. Vision, Goals and Targets

1. *Vision*

- What or where you want the industry, both at the local and global levels, by 2030 (?)
- Milestone(s) within the short (by 2016), medium (by 2022) and long-term (by 2030)

The Philippine Furniture Industry in the year 2030 shall be the global design innovate or/center/hub for products using sustainable materials. The industry should have attained a conducive environment where we can flourish in both the domestic and international markets with a competitive and motivated labor force.

The industry will have sustainable materials, affordable and sustainable capital and efficient government service and adequate infrastructure through effective networking and representation with allied industries, government and non government institution. We could provide the most effective marketing strategy to make Philippine furniture the most sought after in Asia with:

- Satisfied repeat customers
- Full service
- On the world map
- Top of mind
- Preferred choice
- Increased buyer loyalty
- Create and keep our customers

The industry will be technologically advanced to meet the global market by:

- Having sustainable materials
- Improving existing process
- Available skilled labor
- Advanced machinery

2. *Goals*

- Overall and specific goals for the industry
- Growth in the Furniture Industry.
- Cooperation among members and unity among Chapters of the Furniture and Furnishing Industry.
- Help upgrade the capability of the Furniture and Furnishing Manufacturers.
- Help small manufacturers and Chapters.
- Milestone(s) within the short (by 2016), medium (by 2022) and long-term (by 2030)

Product Development

a. To have access to market in which the government has to institutionalize a budget to support trends gathering, forecasting and sharing.
b. To upgrade design education
    i. Through early introduction of design awareness appreciation.
    ii. Information and training assistance for design students and professional designers and manufacturers.
c. To establish sustainable and environmental friendly raw materials, to come up with a new raw materials the whole year and establish supply hubs for semi process and raw materials from local sources and from other countries.
d. To institutionalize culture of innovation in the Philippine Furniture Industry.

Advocacy

a. To build the group to be a strong force with a unified voice.
b. Build the group to strongly influence all appropriate sectors
c. Build support infrastructure to continue the gains.

Marketing

a. To make the Philippine furniture top of mind in Asia.
b. To sell to traditional markets.
c. Simplify marketing strategy to align furniture design to customer needs in local, glocal and global.

Capacity Building

a. To have a sustainable supply of raw materials for the Philippine Furniture Industry
b. To provide readily available skilled manpower to the industry.
c. To ensure availability of advanced and cost-effective technologies machineries/equipment and production processes.

3. *Objectives and Targets*

Objectives:

A. Product Development

- *Access to market*
  - *For the government to provide updated trend information*
- *Design Education*
  - *Develop continuing education for art/design teachers.*
  - *Develop design and technology education programs*

- *Raw Materials Manipulation*
  - *Discover entirely new and never been used raw materials and create continuous sources*
  - *Research and create new designs using environmental friendly and sustainable materials*
  - *Empower communities by creating "supply hubs" for raw and indigenous materials.*
  - *Provide a platform for continuous professional design development.*
  - *To focus on sustainability, relevance, excellence, challenge and collaboration.*
  - *Get IP protection*

B. Advocacy

- *Group Capability*
  - *To put advocacy teams in place to focus and work on specific policies for the furniture industry*
  - *Identify Priority advocacies*
- *Influence Capability*
  - *To have an influence on the laws that affect the industry (legislative)*
  - *Influence or kill policies made by government agencies whichever is beneficial to the industry.*

- *Influence positions of allied industries that are beneficial to the industy (PWPA, NGOS, i.e. JICA)*

– *Maintenance Capability*

- *Permanent funding for the advocacy team*
- *Move from reactive to proactive*
- *Move outside of government agencies*

C. Marketing

a. Top of Mind

i. To increase exports by 100% in the first 3 years and another 100% on the next 2 years.

b. Mainstream Focus

i. Develop/strengthen relationships/partnership between vendors and customers

ii. Follow the Olympics to have a 5 year business stream

iii. Focus on the BRIC COUNTRIES (Brazil, Russia, India, China)

D. Capacity Building

a. Sustainability

i. Advocate the production, processing and utilization of wood and non-wood raw materials from legal sources.

ii. To develop new products using alterative and environmental friendly raw materials

iii. Accreditation of training programs to TESDA

iv. Certification of manpower skills and competencies

v. Tap government training programs and funding

vi. Identify established training facilities

b. Technologies

i. For the first 5 years, establish a data base of technologies (related to equipment/machineries production processes including raw materials.)

ii. Every 2 to 3 years, sourcing of technologies and establish local fabricators/sources/suppliers and identification of outside sources.

iii. For the first 3-5 years, establish production standards fro raw materials and products and continuous updating every 3 years thereafter.

iv. For the first five (5) years, establish mechanism of continuous updating (every 3-5 years) of technologies addressing the whole aspect of production, including equipment/machineries/raw materials and production processes/skills requirement for manpower.

Chapter 3. Strategies and Timeline

1. *Strategies and plan of action to achieve the vision for the industry within the specific timeframe*

   – Identification of the overall and specific strategies to achieve the vision, goals and targets of the industry including the policy framework necessary for industry growth
   – Detail the specific activities to be undertaken and broken down into short (until 2016), medium (until 2022) and long-term (until 2030)
   – Identification of the available resources/funding and duties and responsibilities of stakeholders

PRODUCT DEVELOPMENT By 2030, the Philippine furniture industry shall be the global design innovate or/center/hub for products using sustainable materials.			
GOAL – FOCUS AREA	**O**BJECTIVE(S)	**A**CTIONS – STRATEGIES	**T**IMELINE
I. ACCESS TO MARKET Government to institutionalize a budget to support trends gathering, forecasting and sharing.	Government must provide updated trend information	1. annual subscription to WCSN & other trends sources. 2. establish a library of trend information 3. government to strengthen PDDCP by tooling its designers through increased budget for training & trend missions	2013 2014 2014

		4. strengthen capability of private sector to create trends in global market.	
		5. expand trends by observing "lifestyles trends"	2015
II. DESIGN EDUCATION 1. early introduction of design awareness and appreciation	Develop continuing education for art/design teachers	1. collaborate with schools to develop modules for certificate courses & industrial design	
		2. develop documentation for good designs and publish in a book	2013
		3. establish design competitions among students & professionals as a mechanism for continuous innovation for designs that sell	2014 – 2015
		4. integrate furniture design curriculum in design schools and TESDA	2013 – 2015

2. information and training assistance for design students and professional designers and manufactu-rers **III. RAW MATERIALS**	Develop design and technology education programs	5. come with a "coffee table" book showcasing original Filipino designs 1. partner with foreign design schools, institutes or organizations 1. identify new possible raw materials 2. find these from both local and foreign sources	2013 2013 - 2015

MANIPULATION 1. Establish sustainable & environmental friendly raw materials	Discover entirely new and never been used raw materials and create continuous sources	1. training for capacity building and technology 2. train young designers on the use of these raw materials	2013 – 2030
2. enhance innovation strategies to come up with new raw materials the whole year round	Research and create new designs using environmental friendly and sustainable materials	1. collaborate with government for financial support & advocacy	2013 – 2030
3. establish supply hubs of semi process and raw materials from local sources and from other countries	Empower communities by creating "supply hubs" for raw and indigenous materials	1. technology upgrade 2. involve government to invest in establishing a	2013 – 2030

IV. STRATEGY Institutionalize culture of innovation in the Philippine furniture industry	Provide a platform for continuous professional design development Focus on: · sustainability · relevance · excellence · challenge · collaboration	design oriented culture 3. recognize & publish innovations 4. innovation incubators (prototyping, educating, design, idea testing) 5. networking with other design centers – local, glocal, global 6. design center in each major city	2014
		1. design competition in 3 design centers	2015
		2. create database & platforms accessible to all furniture industry 3. design innovation conference/training 4. benchmarking – local, glocal, global 5. missions and trade shows	2020

	Get IP Protection		2013 2013

ADVOCACY

By 2030, we would have attained a conducive environment where our industry can flourish in both the domestic and international markets with

a competitive & motivated labor force, sustainable materials, affordable & sustainable capital and efficient government services & adequate infrastructure through effective networking & representation with allied industries, government & non government institutions.

I. GROUP CAPABILITY	1. put advocacy teams in	1. create teams	

Build the group to be a strong force with a unified voice	place to focus & work on specific policies for the furniture industry. 2. identify priority advocacies	specializing on advocacies with -executive -legislative -allied industries 2. source budget 3. train the teams – tapping existing expertise & collaboration	2014
II. INFLUENCE CAPABILITY Build the group to strongly influence all appropriate sectors	1. having an influence on the laws that affect the industry (legislative) 2. influence or kill policies made by government agencies whichever is beneficial to the industry.	1. create a party list 2. have sponsors - congressmen and/or senators supportive of the industry 3. be present at public hearings 1. be present in agency planning workshops 2. present position papers	2016 3-4 years Now

	3. influence positions of allied industries that are beneficial to the industry (PWPA, NGOS, i.e. JICA)	3. constant communication & presence in public hearings 1. join these associations or creative partnerships & linkage	Annually Now Now 1-2 years
III. MAINTENANCE CAPABILITY Build support infrastructure to continue the gains	1. permanent funding for the advocacy team 2. move from reactive to proactive 3. move outside of government agencies	1. agreement between BSOs involved for funding mechanism 2. identify & categorize issues 3. establish linkage with universities,	After 2016

		allied industries, NGOs, Media	

MARKETING

To provide the most effective marketing strategy to make Philippine furniture the most sought after in Asia with:

-satisfied repeat customers

-full service

-on the world map

-top of mind

-preferred choice

-increased buyer loyalty

-create & keep our customers

I. TOP OF MIND Make the Philippine furniture top of mind in Asia	1. To increase exports by 100% in the first 3 years 2. To increase exports by another 100% on the next 2 years	1. come up with a comprehensive branding program (15 companies per year) 2. establish a respectable & credible body to	NONE

		promote these companies 3. this body will assess the best business processes in order to select the 15 companies 4. promote branding of selected companies internationally 5. hire an ad agency to create marketing materials consistent with each company's brand 6. hire an effective branding consultant 7. get support from government	

II. MAINSTREAM FOCUS Sell to traditional markets	1. develop/strengthen relationships/partnership between vendors & customers	1. maintain continuous strong presence in international markets through trade fairs 2. advertisements in international trade publications 3. presence of Philippine embassy/trade offices in trade events	Ongoing 2013 USA Yesterday

III. ALIGNMENT Simplify marketing strategy to align furniture design to customer needs in local, glocal & global	1. follow the Olympics to have a 5 year business stream 2. focus on the BRIC countries (Brazil, Russia, India, China) 3. focus on individual company strengths	1. partners with designers & architects 2. participate in trade fairs 3. go networking	NONE
CAPACITY BUILDING By 2030 the Phil furniture industry will be technologically advanced to meet the global market by: -having sustainable materials -improving existing process -available skilled labor -advanced machinery			
I. SUSTAINABILITY The Philippine Furniture Industry has a sustainable	- Advocate the production, processing & utilization of wood & non-wood raw	- Conduct inventory of available raw material supply & establish supplier's	2012-2016

supply of raw materials **II. MANPOWER** To provide readily	materials from legal sources - To develop new products using alternative & environmental friendly raw materials - Accreditation of training programs to TESDA	database (local & foreign) - Establish strong linkage & negotiate for the procurement of raw materials - Organize tree growing activities (Tree Planting, Nursery Establishment & Maintenance) - Conduct trainings on material manipulation - Tap the services of DOST & other partner government agencies on development of new products Conduct training programs based on the needs of the industry -Technical/Skills Training	2012-2016

available skilled manpower to the industry	- Certification of manpower skills and competencies - Tap government training programs & funding - Identify established training facilities	- Supervisory - Managerial - Consultancy service for firms productivity - Skills Upgrading Tap local/foreign technical expert	2012-2016
III. TECHNOLOGIES Ensure availability of advanced and cost-effective technologies / machineries/ equipment and production processes	For the first 5 years, establish a data base of technologies (related to equipment/ machineries, production processes including raw materials	Ø Inventory of existing / available technologies Ø Benchmarking with international producers' manpower and process improvement	Every five years

	Every 2 to 3 years, sourcing of technologies and establish local fabricators/sources/ suppliers and identification of outside sources	Ø Local fabrication and continuous R&D tie-up projects with the government Ø Importation Ø Counter trade	Every 2-3 years
	For the first 3-5 years, establish production standards for raw materials and products And continuous updating every 3 years thereafter	Ø Establishment of testing centers Ø Continuous upgrading/updatin g	First 5 years
	For the first five years, establish mechanism of continuous updating (every 3-5 years) of technologies addressing the whole aspect of production, including equipment/ machineries/ raw materials and production processes/ skills requirement for manpower	Ø Technology needs assessment (TNA) Ø technology generation and adoption through prioritization Ø Technology monitoring Ø Continuous assessment and evaluation	Every 3-5 years

Chapter 4. State of the Industry

1. Structure

<u>Industry structure</u>

In the 1980s, the Philippines was one of Asia's top suppliers of furniture exports in the world furniture market and is considered as the "Milan of Asia". For instance, the Philippines exported US$173 million of wooden furniture to OECD countries, next to Taiwan and China (US$185 million) and ahead of Korea, Thailand, Hong Kong and Singapore in 1987. The following year, 84% wooden furniture imports of the US furniture market came from Asian countries which were led by Taiwan and the Philippines. Interestingly, the Philippines also had a 54% major share of the US' imported rattan furniture market. Foreign buyers of Philippine furniture products include wholesaler, retailers and buying agents. Exporters source some of their raw materials abroad and hire freelance or in-house designers for product development. Buying agents may be Filipinos or foreigners who maintain local offices tasked with organizing production carried out by different manufacturers and subcontractors.

The three major furniture production areas in the country are in Metro Manila, Pampanga and Cebu. Metro Manila and nearby peripheral cities in CALABARZON (Cavite, Laguna, Batangas, Rizal and Quezon consist of small, medium and large furniture enterprises which specializes on wood furniture and other mixed materials. Pampanga is associated with hand-carved wood, wicker and iron products whereas Cebu, which is used to be the heart of rattan furniture making in the country is now known for its fine wood furniture works. As of 2007, wood furniture still remained as the biggest product line exported by the industry garnering 49% of the industry's exports during this year. The second largest export item is rattan furniture making up 22% of the exports followed by metal furniture at 10% and others including stone and special purpose furniture. The industry's product coverage range from home furniture and institutional use with home furniture as the most popular functional category.

Over the years, export furniture production in the Philippines rapidly evolved, expanding its scope to become Asia's acknowledged leader in a wide range of well-designed medium to high quality furniture products.

The Philippines ranks as one of the world's best producers of fine furniture, from the traditional to the casual contemporary to the highly experimental. The furniture industry manufactures affordable products of exquisite craftsmanship which is the successful result of modern technology combined with human creativity and eye for beauty.

From its prime position as the major source of creatively-designed wicker and rattan furniture, the industry has success fully diversified into wood, metal, stone, bamboo, leather and mixed media furniture collections.

The Philippine furniture industry has metamorphosed into a highly diversified manufacturing sector. This is evident in the broad product range presently offered by the manufacturers to the export market.

Manufactured products may be classified into two broad categories: the leg items which include chairs, tables, beds, headboards and settees; and the case goods such as cabinets, desks, wardrobe cases, chest of drawers, dressers and kitchen storage units.

In terms of materials, products have branched out from rattan and buri wood to metal, stonecraft, bamboo and plastic. New forms also emerged with two or more materials and in combination with grasses (seagrass), shells, coconut lumber, shells and leather.

The wide product spectrum incorporates the inherent skills of the Filipinos which add value to the finished product. These skills include weaving, wood carving, marquetry, laminating wooden carcasses with rattan and wicker, leather, fossilized stone, and inlaying shells, coconut shells, animal bone or horn.

The diversification of furniture is also marked by the shift from the production of low-end furniture to the medium and high-end lines. This means emphasis on quality, design and material rather than on mass production of pieces. This is attributed primarily to growing competition globally.

Filipino furniture firms have likewise expanded their capabilities to include production of contract furniture. They have started to be recognized as a preferred source of furniture for hotels, restaurants, offices and other public institutions.

Sectoral Coverage

Furniture manufacturing in the Philippines is still labor-intensive, with products ranging from leg items (chairs, tables, beds, settees); case goods (cabinets, desks, chest of drawers, kitchen storage units and related products); and a combination of these two (building or home fittings, shelves, ornaments and similar products).

Moreover, the industry relies heavily on locally procured raw materials such as wood (which represents 40% of the total furniture produced in the country); rattan, bamboo, buri and other forest-based or agricultural materials (which account for another 40%); metal, stone, plastic, and a combination of these materials (mixed media).

The industry relies heavily on locally procured raw materials such as wood (which represents 40% of the total furniture produced in the country); rattan, bamboo, buri and other forest-based or agricultural materials (which account for another 40%); metal, stone, plastic, and a combination of these materials (mixed media).

Lumber, which is the dominant material in furniture production since the export ban of rattan in the 1970s, is available in the domestic market with Lauan and Tangile as the most commonly used species in furniture production. According to CSIL Milano (2005, p. 294), manufacturing-exporting firms import imported wood such as Honduras and Brazilian mahogany, pine, oak, beech cherry, and maple which are mainly sourced from Malaysia, Brazil, New Zealand, and the US; whereas rattan is either locally sourced from neighbouring islands or imported from Papua New Guinea and Burma. Smaller firms, on the other hand, take advantage of the variety of indigenous materials in the Philippines such as rattan, metal, bamboo, buri, stone and others. However, despite the plethora of indigenous materials, firms find it hard to find a large quantity of special and unique indigenous materials such as coco twigs and carved bamboo in the country which can be used to set an edge among other competitors in terms of product quality.

Industry Players

The major Furniture players in the industry are located in Metro Manila, Cebu and Pampanga. There are some manufacturers and subcontractors located in various regions but consists only of 4-5 percent of the total industry population.

More than 95% of the industry is categorized as SME.

Cebu, where the larger rattan manufacturers are based, produces at least 60% of total furniture exports. The Cebuanos specialize in rattan and fossilized stone furniture, as well as in mixed media items. Located in Metro Manila are large numbers of small to medium-sized companies which are increasingly using a combination of materials. Some large producers of wooden furniture are also based in Metro Manila. Pampanga, on the other hand, is well-known for its hand carved wooden furniture, and nearby Bulacan is recognized for inlay work using bone and shells.

In these production centers, ancient crafts survive and are combined with high technology. Generally, material producers and manufacturers are able to meet quality standards and mass production requirements of the export market. The broad acceptability of Philippine furniture overseas may be partly traced to a heritage that encourages combining the old and new, and to a lineage of artisans endowed with discriminating eyes and deft hands.

Production capacities of furniture firms have been gradually increasing since their early beginnings up to the present. Majority, in fact, have reported unutilized capacities which can accommodate demanding requirements of overseas clients. Several companies have similarly established a network of subcontractors who can fill the demand during peak seasons.

Top export markets of Philippine furniture are Japan and the United States, which constitute 72% of the total market.

Suppliers of raw materials are basically located in Quezon, Iligan, Davao, Bicol, Bohol, Butuan, Tuguegarao, etc. Some manufacturers are already importing wood materials due to the problem in the sourcing of wood in the Philippines.

Competitiveness factor

The industry is said to employ highly-skilled workers who are products of both formal and informal training. Training programs are offered by both government and non-government institutions while regular courses on furniture-making are taught in various technical education institutes and schools of arts and trade.

Despite all these institutions, however, the industry still depends largely on the handing down of skills from one generation to the next and on-the-job training.

The industry also employs engineers and designers with university degrees. The former normally serve as leadmen in various production sections or as production managers while the latter are involved in research, product development and design.

Major raw materials for production include rattan poles and splits, lumber, metal bars or rods and fossilized stone and horn. Other inputs include fittings and finishing materials.

Rattan poles used by the industry are either sourced locally or imported.

In previous years, the traditional suppliers included Vietnam, Malaysia and Myanmar. Imported rattan poles are mostly those with a diameter of 2 cm or more.

Lumber is likewise available in the domestic market but manufacturers have already started using imported species. Lauan and tanguile are the commonly used species which are locally sourced. Imported species may be Honduras and Brazilian mahogany, pine, oak, beech, cherry and maple.

Metal bars and rods are mainly sourced from local producers. Wrought iron and aluminum are principally used for metal furniture.

Rattan furniture companies are well-equipped with the machinery and equipment necessary for efficient production. Among these are straightening machine, splitting machine, sizing machine, crosscut saw, surfacer, thicknesser, sander, pneumatic jig, and finishing booth.

Semi-mechanized production is the norm in wooden furniture manufacturing. Most factories are equipped with cut saw or radial saw, jointer-planer, thicknesser, planer, table saw, band saw, shaper, router, drill press, universal and wide belt sander, boring machine, hot press and multiple boring machines.

Aware of the growing need to improve their productivity and competitiveness, majority furniture firms are investing in technology to streamline their production.

Presence of industry associations

There are two (2) business support organizations for Furniture: Chamber of Furniture Industries of the Philippines (CFIP) and the Cebu Furniture Industries Foundation (CFIF).

Membership in local and international groups/associations

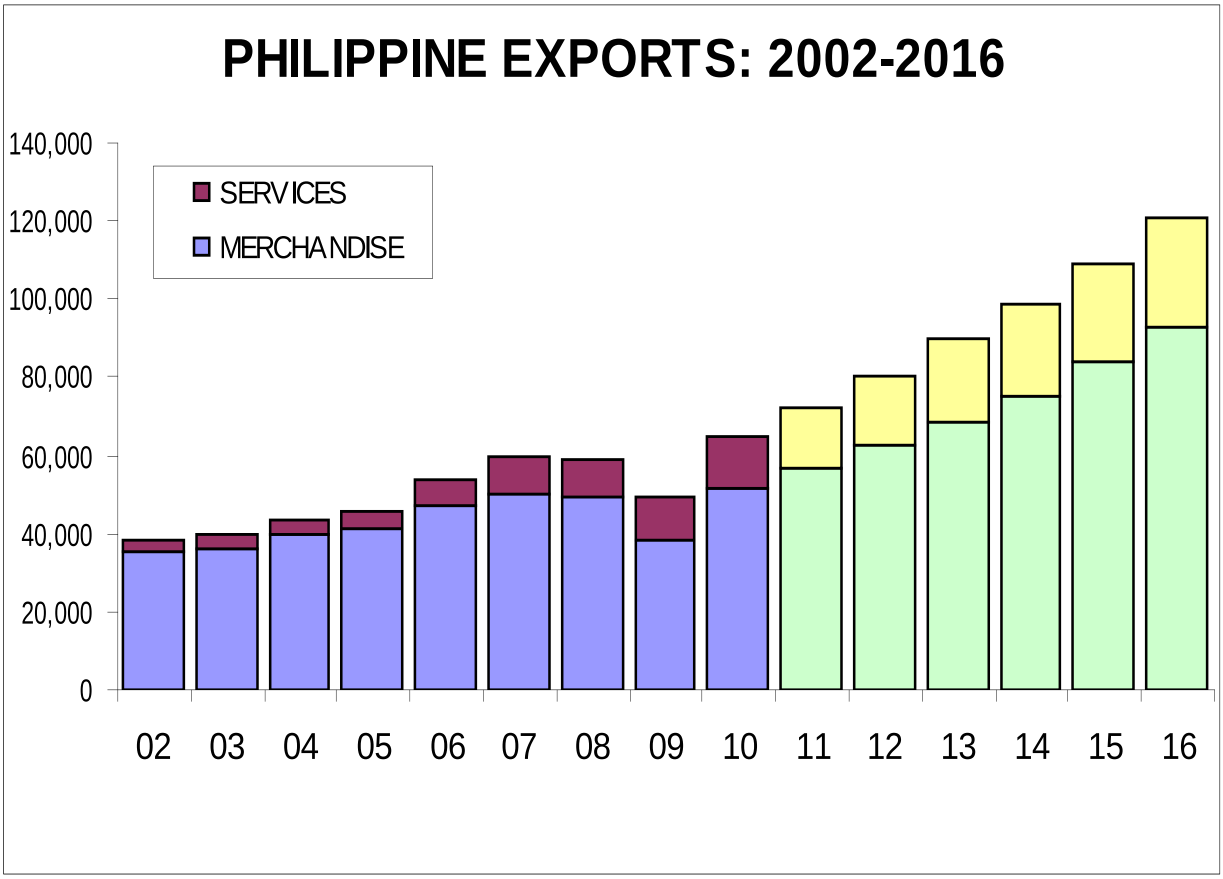
The Philippine furniture industry is represented internationally in the ASEAN Furniture Industries Council (AFIC) and the Council of Asian Furniture Associations (CAFA).

AFIC is a professional organization composed of Furniture associations in the ASEAN region while CAFA is a professional organization composed of Furniture associations in the Asia Pacific.

On the other hand, local membership of Furniture organizations is under the major umbrella organizations such as: Philippine Chamber of Commerce and Industry (PCCI), Philippine Exporters Confederation, Inc. (PHILEXPORT) and the Philippine Federation of Furnishings Associations (PHILFFA).

Share to GDP, employment, and agriculture/manufacturing/services output

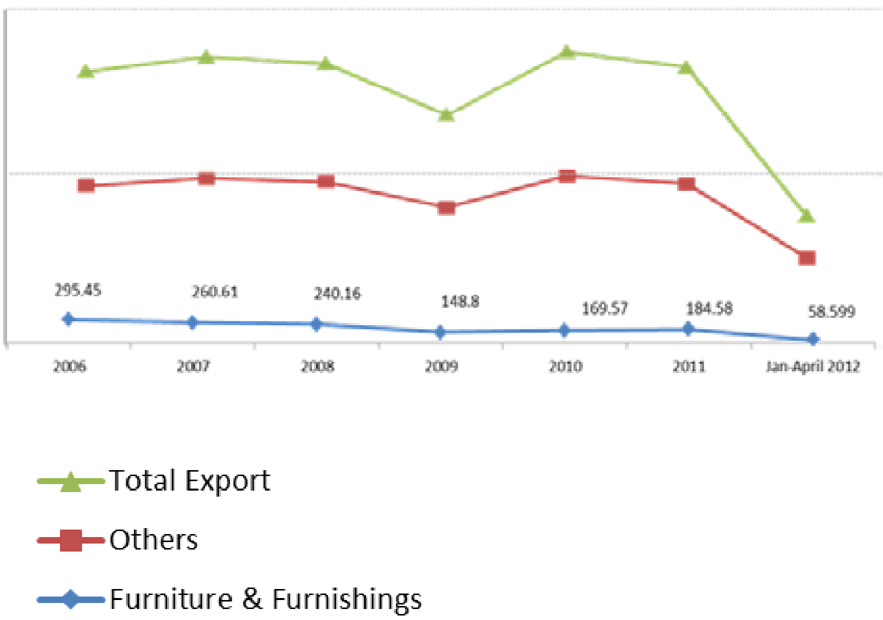
KEY EXPORT SECTOR	2010 ACTUAL EXPORTS US$ Million	2010 GRWTH vs. AVG 3 YRS %	INDIC. MARKET SIZE US$ Million	MKT SHARE %	MKT GRWTH %	LVA %	LVA AMT. AT 2010 ACTUAL EXPORTS US$ Million	ESTIMATED NO. OF WORKERS
HOMESTYLE	427	-19	469,000	0.09	7	80	342	2,100,000



Trade performance (exports and imports)

Furniture's Annual Export Performance 2006 -2012

	2006	2007	2008	2009	2010	2011	Jan-April 2012
Furniture	274.12	240.32	219.73	137.19	150.75	161.36	51.09
Furnishings	21.33	20.29	20.43	11.61	18.82	23.22	7.51
Others	47,114.65	50,205.10	48,837.37	38,287.00	51,327.93	48,120.34	17,452.98
Total Export	47,410.11	50,465.72	49,077.54	38,435.80	51,497.51	48,304.92	17,511.59



Employment (direct and indirect, skill levels, sources, etc.)

Industry estimates place the number of furniture firms at 15,000 (per DTI data) employing 2.1 million (PHILFFA data as of May 2011) direct and indirect workers. Indirect unemployment through Subcontractors and suppliers in the entire supply chain are estimated to be about 5.4 million.

Single proprietorships and family-owned corporations are common in the industry. While majority of the firms are wholly owned and managed by Filipinos, a number of companies are partly owned by foreign investors.

Level of technology

Majority of the manufacturers in the Philippine Furniture industry is utilizing basic Furniture technology directed towards small volume orders and not for mass production.

Strength of the industry remains in manual labor with good artisanship and craftsmanship applied in modern designs.

Innovation in the use of indigenous materials is initiated by the private sector in partnership with local designers as well as the Design Center of the Philippines.

Linkages with other industries (in terms of raw materials and services including extent of reliance and sourcing, i.e., imported or locally-sourced)

The industry is linked with various government agencies in the research and sourcing of raw materials particularly with the following:

1. Department of Science and Technology (DOST) and affiliated agencies
2. Department of Environment and National Resources (DENR)
3. Department of Trade and Industry (DTI) and affiliated agencies

Supply chain, value chain and local value-added in terms of raw materials and services, to determine the level of industry integration in the country)

The following are involved in the supply chain of the industry:

1. Gatherers of raw materials
2. Enablers
3. Traders/Middlemen
4. Consolidators
5. Retail Shops/Distributors
6. Lending Institutions
7. Banking Institutions
8. Buying Agents
9. Exporters

Prices, Income[1]

- Other benefits of the industry (why the Philippines should develop the industry)

The industry, with its current direct and indirect employment profile, is one of the biggest industries that provide jobs to communities. Moreover, this is one of the industries that can create a big impact in the GDP of the Philippines considering that the industry content is not only of labor but also cover domestic trade of raw materials, rise of sub-industries near factories, etc.

In terms of urban migration issue, Furniture production is scattered around the Philippines. The farther the production is from the urban area, the lower the cost is. Thus, this industry discourages migration of population from the rural area to urban area, reducing population boom in the latter. This means that the increase in employment due to the development of the industry will be scattered all over the Philippines and will balance the source of labor.

Apart from the huge employment that the industry is generating, the industry also develops hard skilled workers. We believe that based on the past demand overseas of skilled workers, the main source was the Furniture industry.

2. Supply and Demand

[1] Refers to income of farmers engaged in sector, or salary levels within the country

- Supply
  - Production capacities (sectoral, subsectoral and geographical)
  - Plant capacity utilization (sectoral, subsectoral and geographical)
  - % share of the market that is supplied (sectoral, subsectoral and geographical)
  - Domestic supply gaps in terms of raw materials and services, if any

ASEAN FURNITURE PRODUCTION 2010

Country	Total Furniture Production	Total Furniture Exports	Local Sales	Total Population
Malaysia	$3.6B	$2.6B	$1.0B	27 million
Indonesia	$2.7B	$1.9B	$0.8 B	230 Million
Thailand	$2.4B	$1.2B	$1.2 B	67 Million
Vietnam	$5.0B	$3.3B	$1.7 B	87 Million
Philippines	$ 874M	$ 227M	$ 647M	91 Million

- Demand/Market
  - Describes the global, regional and local markets of the industry's products including opportunities granted by existing FTAs/EPAs and mutual recognition arrangement (MRAs)

PHILIPPINE EXPORTS OF HOMESTYLE PRODUCTS, BY FTA MARKETS – 2006 TO 2010

	ASEAN	CHINA	KOREA	AUSTRALIA	NZ	JAPAN	INDIA	TOTAL
Furniture Furnishing	15.13	10.77	1.63	3.31	0.26	11.11	0.44	42.65
Houseware	5.60	0.17	0.34	1.84	0.19	7.45	19.06	34.66
TOTAL	**20.73**	**10.94**	**1.97**	**5.15**	**0.45**	**18.56**	**19.50**	**77.31**

  - International arrangements/ agreements relating to industry's performance globally

    ASEAN Free Trade Agreements in Japan, South Korea, New Zealand, Australia, India,

- Industries that affect the industry's performance (related or allied industries as well as competing industries, i.e., industries offering substitute products)

  The surge in the cheap imports of Furniture from competitor countries affects hugely the performance of the industry.

3. Challenges / Concerns

Industry Costs

- Supply and cost of raw materials, supplies and services
- Supply and cost of human resources and utilities

INDUSTRY CHALLENGES:

INSTITUTIONAL

- Lack of an intensified global marketing strategy/ approach for the industry
- Lack of sustainable supply of raw materials – wood (EO 23) and other non-timber products
- Influx of foreign furniture products due to the low tariff imposed to China, Malaysia and Indonesia products. Local condominiums, residential, hotels and resorts tends to import furniture than purchase domestically.
- Lack of management education/manufacturing program – for middle managers and skilled workers – institutionalized in selected schools in the Philippines
- High cost of inter-island shipping due to the "Cabotage" principle

MARKET

- ž Abrupt Strengthening of Peso against the dollar
- ž Lack of capability to develop new markets through properly organizing and conducting, through foreign posts business missions to target countries
- ž Lack of sufficient and sustained market intelligence to improve industry strategies against the competitors (pricing, trade policies, standards, new technologies, etc)
- ž Insufficient funding support for strategic marketing and promotion of the industry

TECHNICAL

- ž Forest Stewardship Council - Chain of Custody (FSC CoC) EU compliance requirement by March 2013.

  Philippines has only four FSC CoC certified companies while there are 177 in Vietnam and 500 in China. FSC CoC certified products are already present in Thailand, Vietnam, Malaysia, China, Japan, Australia, New Zealand, and most of the Western countries like France and UK, to name a few.

- ž Lack of globally accredited/certified testing laboratory

Chapter 5. Support to Industry Development

Support in the following programs wherein the private sector should be the lead while the government is requested to be the resource generator/provider:

- ž Intensify promotions in the non-traditional markets:

  1. BRICS as alternative markets
  2. ASEAN Region as a local market

- ž Organize a “focused” offshore business matching programs with the assistance of consulate targeting importer organizations, chain of stores, etc.

ž Establish a linkage, as a Chamber, with the foreign posts to address immediately inquiries of buyers regarding products of the industry and improve sales and trade leads

ž Assistance from foreign posts to effectively promote the trade shows in the Philippines particularly the International Furniture shows.

ž Request for another tranche of support/institutionalize funding support from the government for marketing and promotions

ž Intensified Product Development Program to cover material manipulation, library of material sources and development of design collections that will create new trends in the global market

ž Implement a continuous skills training to upgrade skills of the current workers and develop new pool of workers

ž Establish a regional development program to expand subcontractor base of manufacturers

ž Establish Furniture standards to continuously upgrade the quality of products that Philippine companies produce.

ž Institutionalize management education/manufacturing program by academically linking design and manufacturing courses in selected schools.

Chapter 6. SWOT Analysis

FURNITURE INDUSTRY SWOT ANALYSIS

Strengths	Weaknesses
Workforce Design creativity Material variety and development Productive Flexibility Ability to produce smaller quantities Quality of production Ability to communicate Understanding customer requirements Skilled workers	Workforce inefficiency Lack of structured furniture design education Raw material supply sourcing difficulty Weak middle management Cumbersome beauracracy Expensive interisland transportation costs Lack of production management education Lack of supporting industries/clusters Costs of inputs--tariff structures Highest minimum wage cost in ASEAN Highest electricity costs in ASEAN Uncompetitive pricing Small annual furniture show by comparison Inefficient infrastructure Lack of government support for the shows
Opportunities	**Threats**
Develop new markets, ie BRICS Develop new distribution strategies Strengthen show Domestic real estate development (hotels, etc) Develop/innovate waste materials	Poor economic conditions in traditional markets Productive oversupply in region Skilled workers offered better pay in other Asean countries

Chapter 7. Recommendations

Recommendations as to policies, prioritization of strategies, activities and implementation of the strategies

- Intensify promotions in the non-traditional markets:

  10. BRICS as alternative markets
  11. ASEAN Region as a local market

- Organize a “focused” offshore business matching programs with the assistance of consulate targeting importer organizations, chain of stores, etc.

- Establish a linkage, as a Chamber, with the foreign posts to address immediately inquiries of buyers regarding products of the industry and improve sales and trade leads

- Assistance from foreign posts to effectively promote the trade shows in the Philippines particularly the International Furniture shows.

- Request for another tranche of support/institutionalize funding support from the government for marketing and promotions

- Intensified Product Development Program to cover material manipulation, library of material sources and development of design collections that will create new trends in the global market

- Implement a continuous skills training to upgrade skills of the current workers and develop new pool of workers

- Establish a regional development program to expand subcontractor base of manufacturers

- Establish Furniture standards to continuously upgrade the quality of products that Philippine companies produce.

- Institutionalize management education/manufacturing program by academically linking design and manufacturing courses in selected schools.

\- End -