38

Department of Conservation
and Land Management

Wood Utilisation Research Centre

MILAN INTERNATIONAL FURNITURE FAIR - APRIL 1991

T.R. Jones

October 1991
W.U.R.C. Technical Report No. 38

Weir Road Harvey WA 6220 (097) 29 1913
50 Hayman Road Como WA 6152 (09) 367 0333

MILAN INTERNATIONAL FURNITURE FAIR - APRIL 1991

T.R. Jones

October 1991
W.U.R.C. Technical Report No. 38

MILAN INTERNATIONAL FURNITURE FAIR

APRIL 1991

T.R. Jones

SUMMARY

Joint efforts by Western Australian Government Departments, the timber industry and the furniture manufacturing industry are promoting value-adding in the forest products industry, particularly for export markets. CALM needs to ensure that the resources it manages are efficiently utilized, while also being value-added to its most saleable point. To this end, CALM has an interest in seeing that wooden furniture manufacturing is viable and profitable.

The Milan International Furniture Fair was chosen as a showcase to promote Western Australian hardwoods, and to show that we do have local furniture manufacturers and designers of world class . During this Fair a comprehensive market survey was conducted. Results of the survey highlight potential areas for export sales, and are discussed.

This report also describes how some of the more successful European countries promote value-adding primarily through the use of good design. Ongoing export drives can lead to success on the world markets. We need long term commitments and definite market strategies.

INTRODUCTION

The Department of Conservation and Land Management (CALM) has been working with other State Government Departments and industry to assist in marketing research on the viability of using Western Australian hardwoods in furniture production for the overseas market place. Jarrah (*Eucalyptus marginata*) is the major species being considered.

To enable sufficient quantity of jarrah to be made available to the furniture manufacturing industry, a draft Industry Standard 'Feature Grade for Western Australian Hardwoods. Draft 6' was prepared in consultation with the sawmilling and processing industry.

The next phase was to assess acceptance level in the international market place. This needed to be done quickly while targeting as large a response group as possible within a constrained budget. For these reasons, the biennial Milan International Furniture Fair in Italy was selected. It attracts many nationalities, and the Italians are regarded as important manufacturers and designers of furniture products. The Fair is also regarded as a test area for prototype furniture.

The Western Australian organizers for participation in the Fair included:

Department of Conservation and Land Management (CALM)
Department of State Development (D.S.D.)
Furniture Industry Association of Western Australia (FIA(WA))
Forest Industries Federation of Western Australia (FIF(WA))
Department for the Arts
AUSTRADE
Designers (Group of four designers led by Leslie John Wright)
Bunnings Forest Products
Westralian Forest Industries (WESFI)
GOSH (A leather supplier)

The designers were commissioned to design specific pieces of furniture working with Feature Grade Jarrah, local leather and stone, and to design the stand theme. They assisted in the assembly for a preview launch, which was held at the W.A. Government House Ballroom about six weeks prior to the Fair.

A stand and group theme was suggested, and 'ALKIRA' (an aboriginal word meaning 'Bright Sunshine') was the name selected. The name was registered with FIA(WwA), for use at other fairs, and is intended as a vehicle to pool manufacturers and other interested parties together as a marketing entity.

MILAN

The Fair

The Milan Fair is held biennially for international exhibitors, and was originally scheduled for September 1990. However, the Fair organizers changed the date to April 1991 to bring it closer to other related fairs.

The 1991 Fair consisted of some 1660 exhibitors, of which 260 were international exhibitors (including W.A.), and trade visitors exceeded 100 000. The fairground's total area is some 400 000 m^2, with covered exhibition area of 145 000 m^2.

The standard set by the organizers and exhibitors was certainly high. It was obvious that most participants regard Milan as an important venue and spend money accordingly. The quality of the stands was very high and in most a flair for design was obvious. This was the first time that international designers had been approached to join any market-driven exhibitions. Although everything was shown in a professional manner, increased funding would have allowed the Western Australian designers to improve on the restrictions given them in their brief.

Most exhibitors allow only a few items on the stand, making inspection much easier, as well as to highlight prototype pieces. Their brochures, catalogues and business portfolios are of very high quality. Because the company image is important, it appeared no expense was spared. Snacks and refreshments were provided continuously. Promotional items and give-aways like pens, carry bags are available.

Well known international designers set the standards. Looking at the stands, those with connections with these designers were usually the busiest.

The furniture pieces in the Western Australian display included:

Manufacturer	Item displayed	Designed by
Artifex Furniture	Sofa Australis	Christopher Robertson
Burgtec Australasia P/L	Jarrah and leather chairs	-
B.V.R. Furniture Company	Pavilion console table	Leslie John Wright
Elka Furnishing Company	Chest of drawers	Cox Design
Fremantle Furniture Factory	VALWOOD® side table	Leslie John Wright
Gascoigne Furniture P/L	Leather chesterfield	-
Inglewood Products Group	Indoor/outdoor table and chair setting	-
Jah-Roc Furniture Company	Jarrah/stone coffee table	Gary Bennett
Mobilia Cabinets P/L	'Jedda' table and chair	Paul Odden
Swan Valley Furniture	Designer '2000' series	-

Market survey

An Italian company experienced in market surveys for the European furniture industry, Centro Studi Industria Leggera (C.S.I.L.) was selected to conduct our survey of market acceptability of Western Australian furniture. The working group approved a format and questionnaire for the market survey to be undertaken.

There were 212 questionnaires completed in personal interviews, and 76 per cent of those interviewed were European. The Department of State Development prepared a major report on the survey, and specific details have been extracted which were relevant to CALM's needs. The respondents in the survey are listed by country in Table 1. Potential marketing areas were identified by grouping some of these countries (Table 2). The respondents were identified by profession, trade, or interest (Table 3). Of particular relevance was the information obtained that 95 per cent of those interviewed believed there was sales potential for Western Australian furniture in their respective market. Although this may reflect on all products used for manufacturing the furniture displayed, it is a positive reaction which can help enhance the view of Western Australian Furniture on world markets.

Table 1
Respondents by country in survey on market acceptability of Western Australian furniture

Country	F	%
Italy	27	13
France	24	11
Germany	22	10
Austria	15	7
U.K.	14	7
Spain	10	5
Greece	9	4
Switzerland	9	4
Holland	6	3
Belgium	5	3
Portugal	4	2
Finland	4	2
Denmark	3	1
Sweden	3	1
Norway	1	*
Other Europe	7	3
Europe Sub Total	163	76
Japan	16	8
Middle East	12	6
Canada	3	1
U.S.A.	6	3
Other America	3	1
Other*	9	4
Total	212	100

* The 'other' country category comprised:

Thailand	(N=2)	Australia	(N=1)
Hong Kong	(N=1)	Singapore	(N=1)
South Korea	(N=1)	Taiwan	(N=1)
India	(N=1)	South Africa	(N=1)

('F' in all tables represents the frequency of responses, while % makes up a proportion of 100%)

With some countries represented by very small sample sizes, it was necessary to group some of the countries for the analysis of market-based data. The survey results were, therefore, analysed in accordance with the market sectors presented in Table 2.

Table 2

Potential marketing areas for W.A. furniture based on the survey at the Milan International Furniture Fair 1991

Market sector	F	%
Italy	27	13
France	24	11
Germany	22	10
Austria	15	7
U.K.	14	7
Other EC*	23	11
Portugal/Spain	14	7
Other Europe	24	11
Japan	16	8
Canada/America	12	6
Middle East	12	6
Other	9	4
Total	212	100

* The other EC (European Community) market sector category comprised:

Greece	(N=9)	Holland	(N=6)
Belgium	(N=5)	Denmark	(N=3)

** The other Europe market sector category comprised:

Switzerland	(N=9)	Finland	(N=4)
Sweden	(N=3)	Other Europe	(N=8)

As shown in Table 3 almost half of the survey participants represented the designer (28 %) and architect (19 %) trade sectors. Other major trade sectors represented were manufacturers, retailers, distributors, and agents.

Table 3

Breakdown of respondents in survey by profession, trade or interest

Market sector	F	%
Designer	60	28
Architect	40	19
Manufacturer	29	14
Retailer	23	11
Distributor	22	10
Agent/Import - Export Agent	15	7
Wholesaler	10	5
Contract Purchaser	10	5
Other*	31	15

Multiple Response condition.

* The 'other' trade sector category comprised:

Academic Interior Design Representatives	(N=13)
International Designer Magazine	(N=8)
Artisan	(N=3)
Accessory Producer	(N=1)
Hotel Building Company	(N=1)
U.S.A. Design Museum Representative	(N=1)
Shop Chain Buyer	(N=1)
Furniture	(N=1)
Public Relations Consultant	(N=1)
Private	(N=1)

Approval ratings for for the more popular presented jarrah pieces for the overall international market were:

Pavilion console table	55 per cent
Chest of drawers	53 per cent
Indoor/outdoor table setting	50 per cent

The pieces with very high sales potential in their respective markets were:

Pavilion console table	28 per cent approval
Chest of drawers	27 per cent
Indoor/outdoor table setting	24 per cent

As shown in table 4 the VALWOOD® sidetable achieved the highest popularity, selected by half or more of the trade visitors surveyed as having some sales potential, in Austria (67 %), Portugal/Spain (50 %), and the Middle East (50 %).

Table 4
VALWOOD® side table target markets

Target market		Product popularity F	%
Austria	(N=15)	10	67
Portugal/Spain	(N=14)	7	50
Middle East	(N=12)	6	50
Other countries	(N=9)	3	33
Germany	(N=22)	7	32
Other Europe	(N=24)	6	25
Other EC	(N=23)	5	22
Japan	(N=16)	3	19
Italy	(N=27)	5	18
Canada/America	(N=12)	2	17
France	(N=24)	3	12
U.K.	(N=14)	1	7

Comments on exhibits

(a) *Pavilion console table*
This piece was built solely of solid and veneered jarrah, apart from a secondary glass shelf. The features in the wood ('birds eyes', open but tight gum veins, colour, grain movement) were well highlighted. The timber had a wax finish applied instead of the usual polyurethane, which displayed the wood and its features in a unique and natural environment.

Given more production time, matching of the timber and grain patterns could have been improved, but overall this did not detract from the item.

(b) *Chest of drawers*
This piece was produced using a downgraded jarrah veneer on medium density fibreboard (M.D.F.) and unfortunately some damage occurred during unloading of the

furniture. One drawer was not able to be displayed, so it was used to show the function and quality of the other materials used in construction.

The jarrah veneer displayed many birds eyes, and some movement in the grain. Overall it showed many characteristics of jarrah timber.

(c) *Indoor/outdoor table setting*
The function and design of these pieces were well recognized and appreciated. The jarrah that was used was not of the feature grade, but was manufactured from a selected and up-graded standard product (Appearance 3 and merchantable grade).

(d) *VALWOOD® side table*
This is a product manufactured and processed from small regrowth jarrah graded to feature grade specification. This was designed primarily to display the more practical and universal uses of VALWOOD®.

(e) *Jarrah and leather chair*
The base for this swivel chair was made from VALWOOD®. This item is more applicable for commercial rather than domestic furniture. However, where large sized pieces were used, this would have been more difficult to obtain in solid jarrah.

Most of the items produced were from the lower end of the feature grade rules. A number of the interviewed people did express some concern about the use of birds eyes, gum veins and other characteristics, but most commented that these features would be acceptable when incorporated in the design of a piece of furniture.

Overall, it was suggested that a small improvement in quality, design, materials and price, would make the purchase of the furniture more attractive.

Marketing issues

The market research indicated that the following are the main issues:

a) Promotional strategies
b) Target market size
c) Pricing strategies
d) Styling preferences in overseas markets
e) Quality standards in overseas markets
f) Perception of feature grade jarrah
g) Local product distribution
h) Utilization of rainforest timber

(a) *Promotional strategies*

Using Milan as a starting point for gaining market information has worked well. Promotion now needs to be targeted into niche areas, with specific products. Exhibiting at other fairs and a return to Milan in 1993 are essential.

Backup and providing information to prospective companies and areas with business opportunities must be followed up without delay. Long term strategies must include total commitment by all interested groups.

(b) *Target market size*

The information gained at Milan from the survey can be used as a resource base, but needs to be continuously updated and made available to participating companies.

As social and economic factors change throughout Australia and in the international market place, all relevant changes need to be analysed instantly. The European market is costly to service, and with the impact of the E.C. on the world market place in 1992, this update of information will be even more critical.

(c) *Pricing strategies*

The pricing of most pieces displayed by the ALKIRA collection at Milan was reasonable, and most pieces would sell at target prices. Manufacturers and suppliers need to look at their resources, labour and productivity rates to ensure that their operation is marketable and profitable.

(d) *Styling preferences in overseas markets*

Most pieces were acceptable internationally, although some changes may be required to ensure items can be produced economically and of the required quality.
Western Australia is capable of producing products of high quality in the upper price bracket, and this is the area we should continue to target.

(e) *Quality standards in overseas markets*

As previously stated, quality is most important. The pieces on display were well prepared. (A suggestion is to have an information brochure or swing tag with each item of furniture.)

(f) *Perception of feature grade jarrah*

The feature jarrah was acceptable to the trade visitors at Milan. For furniture production in particular, the design, aesthetic appeal, hardness and durability of our hardwoods are of an international standard. The market place can certainly accept darker woods. Jarrah and our other unique hardwoods should be continuously promoted as universal and market acceptable species.

(g) *Local product distribution*
Because of the time required and problems of freighting from Western Australia, local distributors in each area are essential. These distributors would provide much better customer service providing good communication for orders, parts, damage, and replacement, and payments would be more prompt.

(h) *Utilization of rainforest timber*
Europeans are very environmentally conscious, and are not prepared to use tropical rainforest timber unless it comes from well managed forest. It is essential for CALM to promote the managed forest concept as a marketing aid for Western Australian furniture. (CALM would need to promote jarrah and our other local species, showing they are not a rainforest timber.)

The furniture industry in other countries

Many European nations or countries contribute heavily in the continual development of their main furniture manufacturing bases. It is also noted that some countries will not support their furniture industry. However, there are some dominant countries with furniture production of a high degree of design, quality and timber usage.

France

The V.I.A. (Valorisation de L'Intnovation dans L'Ameublement) and the community for the Development of the French Furniture Industries had a tremendously impressive stand in Milan. The V.I.A. sponsors designers and manufacturers to put on displays at Furniture Fairs such as Paris, New York, Cologne, Milan, Montreal and Hong Kong. G.E.M. provides funds for exhibiting at such fairs. Funding is also, in part, paid for by furniture manufacturers who export. A tax is applied which is solely for use in export marketing campaigns.

Spain

SIDI (Seleccion Internacional de Diseno del Equipamiento Para el Habitat) is an organization conceived as a medium for promoting the relationships between producers, manufacturers and designers, intermediate consumers, distributors, interior designers, as well as reinforcing the conditions for exhibiting the products.

Their strategy is based upon the certainty that economic and cultural development should go hand-in-hand. Commercial activity may help to improve the conditions of cultural consumption and promote better quality consumption.

The work of the Spanish manufacturers and designers belongs to an eminently European cultural tradition. Europe is the target market for Spanish designer products, given that their consumers share common cultural tastes.

In Spain, SIDI proposes to contribute by building up efficient links between the different spheres of action in production and consumption of 'designer' articles. Its contribution consists of establishing a commercial and communications platform which is consistent in terms of organization, concept and form.

This Milan Fair is the 39th International Trade Fair that SIDI have been involved in since its inception in September 1984. (The SIDI operation demonstrates well the networking strategy to bring all facets of the furniture industry together.)

Sweden

This country is represented by SMI (Swedish Furniture Industry Association), SIND (The National Industrial Board) and SIR (The Swedish Association of Interior Designers). The Swedish groups' involvement (named 'Sweden Next') is the first dedicated and collective effort to re-introduce Sweden into the international world of furniture design, where it was once a leading nation.

The Swedish comments were - 'We know that it will be a long and hard climb back to the position we once had, but we might just as well start in Milan, the Mecca of design. There at least, you get an immediate indication as to whether or not you are on the right track.'

Denmark

The Danish Furniture Industry in 1990 supplied 75 per cent of its production to international markets, while also increasing local demand.

The Association of Danish Furniture Industries (Dansk Mybelindustri) is the trade organization for Danish furniture manufacturers and exporters. It works to promote the sale of Danish furniture and looks after its members interests in relation to authorities and other industries. Its members furniture production is covered world-wide by a collective product liability insurance. The Association was established in 1989 through an amalgamation of Dansk Mybelindustri and Mybelfabrikant Foreningen.

The Association of Danish Furniture Industries coordinates the industries' joint marketing activities and participation by Danish manufacturers in foreign fairs. It is also the coorganizer of the Scandinavian Furniture Fair in Copenhagen, and sole organizer of the International Furniture Fair Denmark in Herning.

Through its databank, the Association can arrange contact with Danish manufacturers for any potential customer for a specific type of furniture, or for a major design project.

Singapore

Singapore-made furniture is fast gaining acceptance in the international market. While still active in their traditional markets such as the United States, Singapore furniture manufacturers have succeeded in breaking into new markets such as Japan.

The success of the local manufacturers can be attributed to the encouragement and support provided by the Singapore Furniture Industries Council (SFIC). The SFIC has, within several years, established itself as a leader of the furniture business community. It regularly organizes the participation of its members at premier international furniture fairs, which gives their furniture designers and manufacturers vital international exposure.

They recognize that to stay competitive their furniture manufacturers must automate and streamline their production. Good design plays an increasing role in selling their furniture to the international market. High quality production must also be matched with skilful marketing to promote and establish a niche in overseas markets.

Their comments were that the role of SFIC in the next development stage of the industry will be more vital. In place of the manufacturing base, there will evolve a Marketing, Design and Distribution Centre.

All of the furniture display stands discussed, had considerable financial assistance. In general, their own governmental development or trade offices had provided between A$500 000 - A$700 000 . These funds were for the cost of transport, duties, taxes, stand design and construction, display mobilia, floor space, journals, brochures and V.I.P. or entertainment areas.

These group exhibitors generally were of very high quality, and had their own local designers and manufacturers. These same exhibitors have been brought together by severe problems in their industry in the last 2-10 years. Export markets had decreased either because of poor design, old design, low quality, or they had not tackled new markets.

The Singapore stand would be the exception in this group, mainly because they are fairly new to the industry. However, it should be noted that they preferred exhibiting as a joint effort, rather than as individuals.

By combining these joint efforts, they have been able to turn their own situations around, and once again come to the fore in design and manufacturing for export, as well as for local demand.

Overview of Italian Furniture Industry

Because the furniture fair was held in Italy, and Italy had the largest number of manufacturers represented, an overview of the Italian furniture industry is required.

The Italian culture sets a high priority of consumer spending on furniture and furnishings. They purchase furniture regularly and like to keep up with fashion trends.

During 1988 about 77 per cent of the local furniture produced was for household use. Approximately 80 per cent of furniture produced is modern styled, mostly for the dining and living room areas, and the other 20 per cent goes into traditional and reproduction furniture.

The solid wood market appears to be mainly for tables, chairs, mouldings, doors and drawers. The M.D.F. (medium density fibreboard) market is used extensively in bedroom furniture, built-in-robes and dining room furniture.

To give an example of the Italian furniture industries commitment to resource supply, one Italian company - Foppapedretti, which manufactures timber garden furniture, spent in excess of A$1 000 000 during 1990 on promoting a plantation teak called iroco.

The more popular solid wood used is: Mahoganies (South America (*Swietenia*), Africa (*Khaya*, utile and sapele)) Walnut; Cherry; Maple; Ash; Oak; Chestnut; Pine; Poplar.

The Italians are leaders in market trends, both locally and on the international scene. They are designing and manufacturing European furniture for European tastes.

They are considerably more advanced than Australia in design, incorporation of different materials, innovation and liaison with furniture consortiums, to keep ahead of opposition.

1) Distribution

Local intra freight costs, are around 5-10 per cent of the final selling cost of each piece of furniture. Charges for importing furniture into Italy are, Import Tariff 5.6 per cent and 22 per cent Value-Added Tax. A mark up of 100 per cent for the retail store is typical. Price lists are quoted at retail level, less the store's discount. Generally stores spend around 1.5 - 2.0 per cent on promotion using local television, local magazines, radio and newspapers.

2) Quality

On 30 July 1988, Italy announced consumer protection in Italy which makes the furniture manufacturer liable for faulty goods (Law: DPR 24 May 1988, No 224). Obviously, Australian manufacturers should ensure that quality and quality control are strictly adhered to. Problems such as high moisture content (a range of 8-10 per cent is normal) can be disastrous.

3) Manufacturing

It should also be noted that in Italy a great amount of secondary production is carried out. Many regions in Italy are well known for the contracting out of various components, pieces, assembly and finishing of furniture. Although there are additional handling and transport costs involved, on production runs the unit cost is greatly reduced.

Companies generally perform a few activities only in the value-added chain, and the contracting out of work results in a high degree of specialization, the high economies of scale in manufacturing are significant, while allowing greater flexibility in adjusting capacity to demand, and in changing product varieties.

4) Design

Italian consumers are very concerned with taste and style. They are very sensitive to new trends and are among the first to adjust to new designs, features and techniques.

The interest of Italian consumers in highly designed furniture is reinforced by the presence of very effective distribution channels. The retailers are smaller and more specialized, while being familiar with their business and a knowledgeable and demanding wholesale buyer for furniture products.

The Italian industry has shown a remarkable ability to innovate with furniture products, as well as to incorporate state-of-the-art manufacturing and other technologies in small and medium-sized companies.

5) Competition

Intense domestic rivalry, combined with goals of long-term business prospects, ensure continuing and rapid change and result in a constant search fo. new competitive edges. Part of the success of furniture manufacturers in Italy is due to rivalry. Every manufacturer has very extensive competition. Frequently manufacturers are located in close proximity in one or two local towns. The effect of this competition is constant innovation and specialization. Innovations and ideas diffuse with great speed. A network of local suppliers, usually located nearby, assist in very quick manufacturing, distribution and sales.

Strategies for the Australian Furniture Industry

It is apparent that because of the cost of our local timber resources, and high manufacturing costs, we are not competitive in international markets for commodity type or low priced furniture. I believe a strategy is required to deliver value to customers, rather than trying to sell at lower prices than the competition.

CALM needs to ensure that the resources it manages are efficiently utilized, while also being value-added to its most saleable point. To this end, CALM has an interest in seeing that wooden furniture manufacturing is viable and profitable.

Consequently, we should target highly designed quality products where the maximum value-adding has been carried out, utilizing the best of our resources, and targeted at the medium to high value end in the furniture market. (In other words, innovative value-adding.)

Targeting of European specialist furniture stores and the more elite departmental stores is possibly one way of getting the ball rolling. This requires further research, and the use of their common agents.

A networking group involving suppliers, designers, marketers, and manufacturers, is required. Initially, a few representatives from each of the above groups are needed, and must include persons already successful or very keen to enter the global market place.

For this input, a strategic alliance should be sought in a country or countries. This could be with design companies, manufacturers, distributors, agents or marketing organizations. They would have local knowledge and would stay close to the customer base, and be in touch with the market place.

This can lead to more and better designs, innovation, technological development, and perhaps see the emergence of new industries in Australia.

It should be clearly understood that a genuine strategic alliance with common goals and understanding needs to be continually fostered.

A long term strategy should be maintained, and the partners must establish very good communication for mutual benefit. Our resources and products should be promoted as a comparatively small and unique resource, but well managed, and the pricing will reflect this situation.

ACKNOWLEDGEMENTS

The writer wishes to acknowledge the assistance and cooperation of senior staff of the Department of Conservation and Land Management (CALM). The furniture industry in Western Australia is an important value-added user of our state managed timber resources, and contributed significantly to the Milan Fair.

A special thanks is given to Mr Ardino Gosatti of Inglewood Products Group, for his efforts to ensure that the exhibition material was displayed on time, and for his assistance and knowledge while in Italy.

REFERENCES

Denmark - The Furniture Industry (Dansk Mobelindustri).

Sweden Next (SMI Stockholm).

SIDI - Salone Internazionale del Mobile.

V.I.A. - The French Furniture Industries.

Singapore Furniture - The Singapore Furniture Industries Council.

Wooden Household Furniture - A study of major markets. (International Tropical Timber Organization by the International Trade Centre Unctad/Gatt, Geneva 1990).

International Appeal and Export Potential of Western Australian Furniture. Survey of Trade visitors to the Italian Furniture Exhibition Milan, April 12-17, 1991. Prepared by Department of State Development.