

FURNITURE SECTOR PROFILE

A. Vision, Goals and Targets

- **Strategic Vision for the Industry**

The Philippine furniture industry in the year 2030 shall be the global design innovator or hub for products using sustainable materials with thriving domestic and international markets and a competitive and motivated labor force

- **Goals of the industry**

Keeping in mind its strategic vision and mission, the industry has four goals and targets it aims to achieve in the areas of product development, advocacy, marketing, and capacity building as follows:

- **Product Development**

- ✧ To have access to market in which the government has to institutionalize a budget to support trends gathering, forecasting and sharing.
- ✧ To upgrade design education through early introduction of design awareness appreciation and information and training assistance for design students and professional designers and manufacturers.
- ✧ To establish sustainable and environment-friendly raw materials, discover new raw materials that are available the whole year, and establish supply hubs for semi-processed and raw materials from local sources and from other countries
- ✧ To institutionalize a culture of innovation in the Philippine furniture industry.
- ✧ To get Intellectual Property (IP) rights protection.

- **Advocacy**

- ✧ To build the three industry chambers (CFIP, PFIF and CFIF) into a strong force with a unified voice by putting advocacy teams in place to focus and work on specific policies for the furniture industry and by identifying priority advocacies.
- ✧ Build the group to strongly influence all appropriate sectors, i.e., to exercise influence on proposed and enacted legislation that affect the industry and influence administrative policies made by government agencies for the benefit of the industry.
- ✧ Build support infrastructure to continue the gains.

- **Marketing**

- ✧ To make Philippine furniture top of mind in Asia.
- ✧ To sell to traditional markets by developing relationships between vendors and customers.
- ✧ Simplify marketing strategy to align furniture design to customer needs in local, "glocal" (global markets in a local context), and global contexts.

- **Capacity Building**

- ✧ To have a sustainable supply of raw materials for the industry.
 - Advocate the production, processing and utilization of wood and non-wood raw materials from legal sources.
 - To develop new products using alternative and environment-friendly raw materials.
 - Seek accreditation of training programs from TESDA.
 - Obtain certification of manpower skills and competencies.
 - Tap government training programs and funding.
 - Identify established training facilities.
- ✧ To provide readily available skilled manpower to the industry.
- ✧ To ensure availability of advanced and cost-effective technologies machineries/equipment and production processes.
 - From 2014-2019, establish a database of technologies (related to equipment/machineries and production processes including processing of raw materials.)
 - Every 2 to 3 years, sourcing of technologies and establish local fabricators/sources/suppliers and identification of outside sources.

- From 2014-2017 (up to 2019), establish production standards for raw materials and products and continuous updating every 3 years thereafter.
- From 2014-2019, establish mechanism of continuous updating (every 3 to 5 years) of technologies addressing the whole aspect of production, including equipment/machineries/raw materials and production processes/skills requirement for manpower.

B. State of the Industry

• Structure of the Industry

- Manufactured products may be classified into two broad categories: 1) leg items which include chairs, tables, beds, headboards and settees; and 2) 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.
- Skills/ processes done on the local industry include weaving, wood carving, marquetry, laminating wooden carcasses with rattan and wicker, leather, fossilized stone, and inlaying shells, coconut shells, animal bone or horn.
- Product lines include low-end furniture to medium and high-end lines.
- 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.
- 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).
- There are three (3) business support organizations for Furniture: Chamber of Furniture Industries of the Philippines (CFIP), Pampanga Furniture Industries Foundation, Inc. (PFIF) and Cebu Furniture Industries Foundation (CFIF).
- The industry is linked with various government agencies in the research and sourcing of raw materials and trainings including with the following:
 - Department of Science and Technology (DOST) and affiliated agencies
 - Department of Environment and National Resources (DENR)
 - Department of Trade and Industry (DTI) and affiliated agencies
 - Technical Education and Skills Development Authority (TESDA)

• Landscape of the Industry

- 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.
- 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 of furniture firms are investing in technology to streamline their production.
- 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.

- 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
- **Capacity and Market of the Industry**
 - Plant capacities of furniture firms have been gradually increasing since their early beginnings up to the present. At present, however, majority of manufacturers have reported unutilized capacities which can accommodate demanding requirements of overseas clients. Several companies also have an established a network of subcontractors who can fill the demand during peak seasons.

- **Performance of the Industry**

	2007	2008	2009	2010	2011	2012	2013	2014	2015
Furniture	240.32	219.73	137.19	150.75	161.36	159.59	228.29	330.52	268.90
Furnishings	20.29	20.43	11.61	18.82	23.22	27.71	39.61	78.45	89.26
Total Export	260.61	240.16	148.80	169.57	184.58	187.30	267.90	408.97	358.16

Source: National Statistics Office, processed by BETP, Value in US\$ Million

- **Challenges Faced by the Industry**

Technical

- Forest Stewardship Council - Chain of Custody (FSC CoC) EU compliance requirement.
- 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, etc.
- Lack of globally accredited/certified testing laboratory

Market

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

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 tend to import furniture rather than purchase locally.
- Lack of management education/manufacturing program – for middle managers and skilled workers – institutionalize in selected schools in the Philippines
- High cost of inter-island shipping due to the “Cabotage”
- Lengthy process on importation requirements under DAO 99-46

- **Strengths and Opportunities of the Industry**

- Strengths
 - ✧ Skilled workforce (designers, carvers, weavers)
 - ✧ Design creativity

- ✧ Material variety and development
 - ✧ Productive flexibility
 - ✧ Ability to produce smaller quantities
 - ✧ Quality of production
 - ✧ Ability to communicate
 - ✧ Understanding customer requirements
- Opportunities
 - ✧ Develop new markets, i.e., BRICS
 - ✧ Develop new distribution strategies
 - ✧ Strengthen show
 - ✧ Domestic real estate development (hotels, resorts, etc.)
 - ✧ Develop/ innovate waste materials

C. Support to Industry Development

- **General Support**

- 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.
- Design Center of the Philippines offers assistance on design consultation, trends briefing and technology updating workshops;
- Export of Furniture may be supported with incentives under E.O. 226

- **Specific Industry Programs**

- Design competition for professionals and students
- Creation of Product Development and Sourcebook
- Raw Material Highway/ Supply Chain project

D. Contact Details

Board of Investments

385 Sen. Gil Puyat Ave., Makati City 1200
 Tel. No.: 890-9329
 Fax no.: 897-3080

Ana Maria V. Bernardo

BOI Champion
 Email: amvbernardo@boi.gov.ph

Dir. Evariste M. Cagatan

Manufacturing Industries Service
 Email: emcagatan@boi.gov.ph

Chamber of Furniture Industries of the Philippines

Maceda House, 250 Don Miguel cor. Wilson Sts.
 Greenhills, San Juan City
 Tel. No.: 650-1531
 Fax no.: 650-1535
 Email: cfip.info@gmail.com

Nicolaas K. De Lange

Industry Champion

Salvio L. Valenzuela

Executive Director