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Strategic positioning study of the wooden furniture branch

FOREWORD

The « wooden furniture » branch includes the following classifications: movable and interior furniture, chairs, kitchen and bathroom furniture, office furniture and furniture for communal spaces. These branch classifications are furthermore segmented into categories: according to style, grade, sold in suites or in single units, assembled or in kit, and modular.

NATIONAL SITUATION

Activity is dominated by the informal sector. It is estimated that there are some 6,000 small cabinetry and woodworking units, while there are but 83 enterprises employing 20 or more persons. The branch counts around 16,000 workers and creates 400 to 500 new jobs per year. The enterprises are concentrated in the Tunis area (30%), in the Sahel region (24%) and in the area of Sfax (17%).
The majority of the enterprises produce in small lots to respond to the demand, which is generally seasonal. Some are specialized in living room furniture, seats, kitchen and bathroom furniture, office furniture.
Between 1994 and 1998, average annual production growth rate was 6%, with output value rising from 187 million TND to 235 million TND. Tunisian furniture exports represent just 2 to 3% of total production value of the branch and are primarily to the markets of France (60%) and to Libya (27%). Furniture imports represent close to 1% of the local market, as the furniture branch is still protected by customs fees and import regulations.
The principal woods utilized are red and white beech, iroko, mahogany, and ash, which are imported rough sawn and commercialized in their raw state. Wood panels used in furniture manufacturing are primarily locally produced (97 %).
Investment in the branch during the period 1994 to 1998 averaged around 15 million TND per annum.

INTERNATIONAL SITUATION

Current market trends include:

- A decrease in the share of assembled furniture and suites and an increase in furniture in kits and modular furniture;
- A decrease in the share of classical style furniture and an increase in modern style furniture;
- A reduction in high grade furniture and an increase in middle grade furniture;
- Worldwide furniture exports have grown on average annually 11 % during the period 1986 to 1995.
- The leading furniture exporting countries are Italy (20%), Germany (12%), Denmark (10%), Canada (5%), France (5%) and Belgium (4%). Certain other countries are developing in terms of their furniture exports, including: Poland, Rumania, Malaysia, China, Indonesia and Thailand. The European Union is the leading importer of furniture, and at the country level, the USA is the premier importer followed by Germany and France.

INTERNATIONAL COMPARISON

Comparative benchmarking effected on the branch in Tunisia has identified:
The major threats
With the opening of the economy the branch in Tunisia will be confronted by the dynamic and powerful European industry. Italy, France and Germany represent the principal future competitors due to their proximity to the Tunisian market. This competition will have particular impact on low and medium grade furniture, modular and modern furniture in kits.
The production of furniture in kits and modular furniture has experienced an important evolution in the referenced countries, but is undeveloped in Tunisia.
The comparative advantage that Tunisia has in terms of labor costs is surpassed by the productivity of the enterprises in the reference countries.
The furniture sector in Tunisia is not very concentrated as it is the case in the reference countries.

MAIN OPPORTUNITIES

International demand is growing. The furniture industry is based on simple technology and utilizes man power, which in Tunisia is 5 times less expensive than in France. Through the modernization of the enterprises, the branch would be able to face European competition both within the local market and within the export markets. There are Tunisian enterprises that are producing exclusively for the export market.

MAJOR STRENGTHS AND WEAKNESSES OF THE BRANCH IN TUNISIA

The case of semi-industrialized enterprises:

Principal strengths:

Supervisory and management is experienced; production, conception and design are mastered and well managed. Computerization is utilized in design, invoicing and for management of orders and receivables.
The enterprises participate in international trade fairs, have substantial documentation resources, and have favorable financial situations.

- Major weaknesses:

Training is not planned. Standardization is insufficient and there is an absence of computer assisted production management and analytical accounting. Lay out is not well adapted.

Case of artisan enterprises:

- Major strengths:

Proximity to the market.

- Major weaknesses:

Management and supervision is not sufficient to institute a modernization program.
Training, equipment and machinery and financial capacity are insufficient.
The net cost of a piece of furniture produced in Tunisia is 33% higher than the piece manufactured in Italy. Taking into account the dismantling of tariffs and the cost of transportation Italy-Tunisia, the difference will be reduced to around 17%.
The survival of the branch necessitates appreciable gains in productivity and improvement in product quality. If the Tunisian enterprises attain the same level of productivity as the reference countries, they will be able to reduce their net cost by 40%.

OBJECTIVES 2006

Objective 1: Upgrading of the enterprises
To realize gains in productivity and improvements in ***4.*** product quality in 40 enterprises within the structured sector of the branch (size between 20 and 100 employees). In terms of the larger enterprises that have already undergone the modernization program, the objective is the sustainability of at least 65% of these enterprises.
Objective 2: Maintain the growth of the branch
The creation of new projects to assure sustained growth for the branch of at least the same average annual level of 6% attained during the period 1994 to 1998.
Objective 3: Development of exports
To favor partnership with European leaders in order to attain a share of the world market of 0.35% by the year 2006, representing an export value of 54 million dinars. This objective is based upon the creation of 13 wholly exporting projects and 4 partially exporting projects.
Objective 4: Develop furniture distribution circuits in order to support the restructuring of the branch.

LUCRATIVE NICHES AND MARKETS

- All modern style furniture, in kit and modular, medium and low grade lines;
- Manufacture of seats, office furniture and kitchen furniture, specializing in the assembly of panels and hand-made massive pieces;
- The distribution of specialized furniture such as children's furniture in order to maintain availability of stock and to allow manufacturers to specialize their production and to produce in mass.

Non-lucrative niches include high grade furniture for the export market, medium and low grade furniture made to measure, medium grade furniture suites. Non-specialized projects that have less than 200 employees are generally not profitable.

ACTIONS TO UNDERTAKE

Actions within the enterprise

- Investment in automated technologies in order to adapt production lines and machinery to mass production, in particular at the level of cutting and finishing of panels and framing;
- mechanization of pumicing, painting and varnishing operations;
- Equipping with wood dryers, mounting workshops, vacuum systems, and handling equipment.

➢ **Action 2: Invest in production organization and management:**
- Standardization
- CAD, CAM
- System of quality control for products
- Operative standardized product lines and manufacturing standards.
- Analytical accounting and management by objective.
- Develop technical skills training for technicians and agents as well as specialized training in the area of studies and methods.

Institutional Measures

- Initiate technical assistance programs to assure product quality;
- accord specific incentives for the acquisition of indispensable equipment;
- establish the terms and means for regulating guarantees for furniture products;
- Utilize « Project Quality / UGP» program signed with the European Union, so that a Tunisian expert can be trained and capable to establish a quality label « NT » ;
- Elaborate and put into application recognized standards and norm, as well as a system for testing and analysis to safeguard the quality of raw materials;
- Liberalize the importation of raw materials so that furniture manufacturers may benefit from the minimum customs tariff level on manufacturing inputs that the majority of manufacturing industries in Tunisia benefit from;
- Institute for the importation of raw materials and finished furniture products and for customs clearance an advance on taxes in order to combat unfair competition and to avoid tax evasion that could favor the competitiveness of foreign manufacturers;
- Allow international trading companies specializing in furniture the same incentives and advantages provided to industrial services companies;
- reorganize the informal sector in order to assure the consumer fair dealings and transactions while safeguarding the social character of the sector;
- **c**reate Wood and Furniture department within the Higher Institute of Technological Studies;
- Training of architects specialized in furniture design.

Promotional Actions

- Organization of national and regional seminars and workshops on the topic of quality, supplies and inputs, distribution, exporting and controlling costs;
- Organize periodically events for partnerships between European distributors and Tunisian manufacturers and distributors;

Enterprise creation and partnership

- List of partnership leads to explore
- Two project files to promote