THE PHILIPPINE FURNITURE INDUSTRY (HOMESTYLE)

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Region 2 (Cagayan Valley)
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WHY TAKE A SECOND LOOK AT OUR INDUSTRY?
The industry is the most sustainable industry in the Philippines.
The Philippine Furniture Industry

Known as among the world’s best in terms of DESIGN and QUALITY…
...regarded as “the Milan of Asia”
The Philippine Furniture Industry

- Philippine furniture manufacturers are known for their expertise in **craftsmanship**, **hand-made work** (e.g. carving, weaving), **antique reproduction**, **hand-finishing**, and **strict quality assurance**, applied on good design.
Filipino’s almost by nature are ARTISTIC, given even the scantiest of resources a Filipino craftsman can turn even an egg shell into a design masterpiece.
Material Transition Timeline

- Plastic/Outdoor/Marquetry/Veneers
- Wood/Wicker/Mixed Media
- Stone Craft/Wrought Iron
- Rattan/Buri

60's-70's
80's
90's
2000
• Sustainable employment upstream and downstream
• Sustainable Resources
• Sustainable growth
The Philippine Homestyle Industry

Sustainable employment upstream and downstream

• direct and indirect employment to 1.9 million workers (*2014 figure down from 2.1 million in 2011)

• business and employment to 5.4 million Filipinos in the supply chain
### Key Sector Analysis

<table>
<thead>
<tr>
<th>KEY EXPORT SECTOR</th>
<th>2010 ACTUAL EXPORTS US$ Million</th>
<th>2010 GRWTH vs. AVG 3 YRS %</th>
<th>INDIC. MARKET SIZE US$ Million</th>
<th>MKT SHARE %</th>
<th>MKT GRWTH %</th>
<th>LVA %</th>
<th>LVA AMT. AT 2010 ACTUAL EXPORTS US$ Million</th>
<th>ESTIMATED NO. OF WORKERS</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. IT-BPO &amp;</td>
<td>11,041</td>
<td>21</td>
<td>62,000</td>
<td>18</td>
<td>30</td>
<td>90</td>
<td>9,937</td>
<td>526,000</td>
</tr>
<tr>
<td>Other Services</td>
<td>2,202</td>
<td>42</td>
<td>30,800</td>
<td>7</td>
<td>8</td>
<td>90</td>
<td>1,104</td>
<td>1,131,000</td>
</tr>
<tr>
<td>2. ELECTRONICS</td>
<td>31,080</td>
<td>3</td>
<td>1,900,000</td>
<td>2</td>
<td>5</td>
<td>30</td>
<td>9,324</td>
<td>520,000</td>
</tr>
<tr>
<td>3. AGRIBUSINESS</td>
<td>3,625</td>
<td>27</td>
<td>1,369,000</td>
<td>0.26</td>
<td>10</td>
<td>80</td>
<td>2,900</td>
<td>10,764,000</td>
</tr>
<tr>
<td>Food: Fresh/Processed/ Marine</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Coconut Products</td>
<td>1,508</td>
<td>93</td>
<td>7,500</td>
<td>20</td>
<td>10</td>
<td>95</td>
<td>1,433</td>
<td>3,400,000</td>
</tr>
<tr>
<td>4. MINERALS</td>
<td>1,870</td>
<td>-23</td>
<td>12,650,000</td>
<td>0.01</td>
<td>15</td>
<td>80</td>
<td>1,496</td>
<td>180,000</td>
</tr>
<tr>
<td>5. SHIPBUILDING</td>
<td>1,543</td>
<td>554</td>
<td>83,000</td>
<td>2</td>
<td>16</td>
<td>20</td>
<td>308</td>
<td>33,045</td>
</tr>
<tr>
<td>6. MOTOR VEHICLE PARTS</td>
<td>3,679</td>
<td>24</td>
<td>420,000</td>
<td>1</td>
<td>8</td>
<td>65</td>
<td>2,391</td>
<td>70,000</td>
</tr>
<tr>
<td>7. GARMENTS/ TEXTILE</td>
<td>1,871</td>
<td>11</td>
<td>600,000</td>
<td>0.31</td>
<td>5</td>
<td>30</td>
<td>561</td>
<td>150,000</td>
</tr>
<tr>
<td>8. HOMESTYLE</td>
<td>427</td>
<td>-19</td>
<td>469,000</td>
<td>0.09</td>
<td>7</td>
<td>80</td>
<td>342</td>
<td>2,100,000</td>
</tr>
<tr>
<td>9. WEARABLES</td>
<td>599</td>
<td>26</td>
<td>400,000</td>
<td>0.15</td>
<td>10</td>
<td>70</td>
<td>419</td>
<td>140,000</td>
</tr>
</tbody>
</table>

Source: BETP for Merchandize Exports, BSP for Services as processed by BETP
Benchmark Average 3 years cover 2006-2008 "normal" market conditions.

Lifted from the presentation of DED Emma Mijares during Roadmapping workshop of Furniture industry.
The Philippine Homestyle Industry

Sustainable Resources

• Great environment for tree and bamboo farming

• Fantastic human resources (designers, carvers, weavers)

• Availability of Professionals
Sustainable employment upstream and downstream + Sustainable Resources = SUSTAINABLE GROWTH
# Furniture and Furnishings's Annual Export Performance 2006 -2014

Lifted from the presentation of DED Emma Mijares during Road mapping workshop of Furniture industry updated by BETP

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</tr>
</thead>
<tbody>
<tr>
<td>Furniture</td>
<td>274.12</td>
<td>240.32</td>
<td>219.73</td>
<td>137.19</td>
<td>150.75</td>
<td>161.36</td>
<td>145.89</td>
<td>207.77</td>
<td>297.85</td>
</tr>
<tr>
<td>Furnishings</td>
<td>21.33</td>
<td>20.29</td>
<td>20.43</td>
<td>11.61</td>
<td>18.82</td>
<td>23.22</td>
<td>25.53</td>
<td>35.67</td>
<td>72.04</td>
</tr>
<tr>
<td>Total Export</td>
<td>295</td>
<td>261</td>
<td>239</td>
<td>148</td>
<td>168</td>
<td>184</td>
<td>171</td>
<td>243</td>
<td>369.89</td>
</tr>
</tbody>
</table>

44%
Import Performance 2002 to 2014 (FOB in Million USD)

Data sourced from NSO processed by: BETP
Our Target:
Annual Growth Rate

10 – 15%
### Philippines

**Total Furniture Production** | **Total Furniture Exports** | **Local Sales**
--- | --- | ---
$536M | $137M | $399M

**Top 5 Export Markets**

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>US</td>
<td>62%</td>
</tr>
<tr>
<td>Japan</td>
<td>6%</td>
</tr>
<tr>
<td>UK</td>
<td>4%</td>
</tr>
<tr>
<td>Italy</td>
<td>2%</td>
</tr>
<tr>
<td>Australia</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Source:** Centre for Industrial Studies (Csil 2012)
World Importation of Furniture 2014

US$135 billion
Industry Challenges:

1. Industry Marketing Campaign and Promotions Budget

2. Executive Order 23

3. Department Order 99-46

4. Timber Legality Assurance System (Chain of Custody Compliance)

5. Exportation of raw materials such as rattan, abaca, etc
The Chain of Custody compliance has a large impact on the industry:

- Almost 17% of the Philippine furniture industry will be affected.
- Has a big impact on the more than 5.4 million livelihood of the civil societies like carving, weaving, etc. primarily hinged towards the wood based exportation to EU.
- Involved stakeholders (civil society, enforcing agencies) in the whole Chain of Custody process were not fully identified yet.
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” principle
Strategic vision for the industry

The Philippine Furniture Industry in the year 2030 shall be the global design innovate or center/hub for products using sustainable materials with a thriving domestic and international markets and a competitive and motivated labor force.
Goal (Strategic Objective)

Products
Diverse range of furniture and furnishings which vary according to material, function and utility

Markets
Medium to high-end segment of the traditional markets (i.e., North America, Europe, Middle East and Japan); Asia (specifically, Kuala Lumpur, Jakarta, Shanghai, Ho Chi Minh, Bangkok and Singapore); and BRICs.

Growth Projection
Target growth rate of 1% in 2013; 2% in 2014; 5% in 2015; 7% in 2016; and 10% in 2017
Assumption: US market continues to grow positively in the next 5 years

Timeline
2013 - 2017

Key Strategies
Market Development - Niche Marketing

- Jobs Generated - maintain for 2013 – 2014
- Local Sales - Php50M in 2013; 10% increase every year until 2017

Indicators
- Export Sales - 1% increase in 2013 from the 2012 BETP export figures of US$159.59M
- Investments - green technologies
Our focus areas to reach SUSTAINABLE GROWTH:

- Capacity Building
- Product Development
- Policy Advocacy
- Marketing
CAPACITY BUILDING

- By 2030 the Phil furniture industry will be technologically advanced to meet the global market by:
  
  • To have a sustainable supply of raw materials
  
  • To provide readily available skilled manpower to the industry.
  
  • To ensure availability of advanced and cost-effective technologies machineries/equipment and production processes.
Furniture industry supply chain

- Gatherers/Harvesters of Raw Materials
- Saw millers
- Wood traders
- Transportation of Materials
- Exporter
- Buyer
Raw Materials Highway (Pilot Areas)

**NORTH PEAK**
Abra, Ilocos Sur, Cagayan Valley
Bamboo, Wood, Labtang

**SOUTHERN CORRIDOR Quezon and Bicol**
Abaca, Bamboo, Coconut/Coco-Coir, Wood, Buri (other fibers)

**PANAY CLUSTER**
Aklan, Bacolod, Iloilo
Bamboo, Coconut/Coco-Coir, Pina fiber

**MINDANAO TRIANGLE**
Davao, CDO, Iligan
Bamboo, Coconut/Coco-Coir, Rubber Wood, Abaca, Wood

Conceptual Framework
Components Manufacturing Model
For Furniture Industry
Program Collaborators

Advocacy
LGU, DTI, CFIP, DENR, Regional Development Groups

Market Matching
(DTI, CFIP, Exporters)

Components Manufacturing Model

Skills Upgrading/Training
(Subcontractors, TESDA, Academe: Tech-Voc Schools, FPRDI Design Schools, etc)

Shared Service Facility
(Raw Material Suppliers, DTI, DOST)
Areas that will be addressed by the RMH clustering project:

- Provision of Shared Service Facilities in the region: filling-in technology gaps

- Product specialization: component manufacturing – developing potential subcontractors in the future

- Provision of technical skills/trainings in the regions in collaboration with the academe and TESDA

- Lower cost of production: capitalizing on the source of materials (components transported), lower cost of electricity, lower labor cost

- Higher value-added in the regions
On Product Development

- By 2030, the Philippine furniture industry shall be the global design hub for products using sustainable materials.
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 and establish supply hubs for semi-process and raw materials from local and imported sources.
PRODUCT DEVELOPMENT PROGRAMS

1. Material Manipulation and Innovation

2. Design Development Seminars

3. Hiring of International Trends consultants

4. Region-Based material innovation and Furniture component production

5. Product Development programs

6. Establishment of Fabrication Laboratories (FABLABs)

7. Green Furniture program
MARKETING

- To provide the most effective marketing strategy to make Philippine furniture the most sought after in Asia.
  - To make the Philippine furniture top of mind in Asia.
  - To sell to traditional markets.
  - Simplify marketing strategy to align furniture design to customer needs in local, glocal and global.
Penetrated furniture retail stores around the world
MARKET OPPORTUNITIES:

LOCAL...

GLO-CAL...

GLOBAL...
* Condominiums
* Resorts
• Hotels
• Government projects
• Corporate offices

LOCAL...

MANILA

CDO

Cebu

DAVAO
GLO-CAL...

“3-hour away marketing Platform”
Capitalizing on the FTAs

Jakarta
Singapore
Shanghai
Ho Chi Minh
Hongkong
Kuala Lumpur
Bangkok
INTERNATIONAL markets
Marketing Programs

- Tie up with leading brands in target (glocal) markets
- Establishment of local showrooms in the ASEAN region
- Buyer-Designer-Exporter Merchandise Development Program
- Selling missions (inbound and outbound)
- Participation in International shows abroad
- Philippine Furniture Shows for promotion, sales and branding
- Tap design consultancy programs
- Branding of Philippine furniture products
- Alternative Markets Program (BRICS)
“By 2030, we would have attained a **conducive environment** where our industry can flourish in both the domestic and international markets through effective networking & representation with allied industries, government & non-government institutions with:

1. **Competitive & motivated labor force**
2. **Sustainable materials**
3. **Affordable & sustainable capital**
4. **Efficient government services and**
5. **Adequate infrastructure**
Public-Private Partnership

PRIVATE SECTOR:

LEAD THE INDUSTRY

GOVERNMENT SECTOR:

RESOURCE GENERATOR/PROVIDER
ROADMAP DEVELOPMENTS

1. DTI approved funding in the amount of **Php11 Million** for Basic Woodworking, Bamboo Production and Metal Fabricating Machines

2. DTI released two (2) Kiln Drying Facilities in Gumaca, Quezon for the CMM project

3. BOI under MRP approved funding in the amount of **Php700k** for the hiring of International Trends Consultant

4. BOI approved funding in the amount of **Php1.8M** for the Buyer Design Development Program

5. BOI approved funding for Technology and Skills Upgrading in the amount of **Php977K**

6. BOI supported the industry in incorporating Green Manufacturing Program in the Roadmap
Why the industry?

1. Provides employment and livelihood: 2 million
   ✓ Labor-intensive and dispersed nationwide
   ✓ Support materials suppliers and their workers 1.2M;
   ✓ Big positive impact on the poor, especially PWDs, undergraduates, housewives, out-of-school youths
   ✓ At 4.5 per family of suppliers 1.2 x 4.5 = 5.4M
   ✓ Employment of 4 indirect workers for every $10,000 worth of export order
     ✓ Use of indigenous raw materials

2. Promotes entrepreneurship
   ✓ Supports an industry whose value added is 90% - 95%
     ✓ Minimal start-up capital
   ✓ Flexible work hours and seasonal employment for underemployed
     ✓ Venue for creativity and innovation
   ✓ Default occupation for producers who have limited other options for employment
Why save the industry?

It is a pathway to REVIVE a manufacturing sector and ALLEVIATE poverty!
Return on Government Investment

Key Result Areas:
1. New markets developed: BRICS, ASEAN
2. Existing markets expanded: US, Europe, Middle East, Japan
3. Exports increased annually by at least 15%
4. 4 indirect employees hired for every $10,000 worth of export order (plus existing employees)
We are ready to deliver!

But we need more Government funds/support to make us more competitive, like what our ASEAN counterparts are enjoying.
Best Practices in Export Promotion*

1. The governments of Vietnam, Thailand, Indonesia and Malaysia extend 100% financial assistance to their exporters for trade fair participation and selling missions.

2. 100% export financing or subsidized financing to their Exporters in the case of Thailand. The Thai government underwrites their losses as well.

3. Retail sale exports are also encouraged by Korea and Thailand through VAT refunds at the port of exit.

4. As per World Bank survey, average annual export promotion budget was between 0.11 and 0.17% of value of total export target.
   $80B (2013 target) = $0.088B or $88M x P45= P3.96B (.011% at P45).

5. Korea has successfully utilised Venture Capital Fund, while Malaysia has been successful in making available support for SMEs through Market Development Grants and Loans, Brand Promotion Grants and Loans, Services Export Fund.

* Shumon Khalid in an EDC Commissioned study in 2011.
Growth in the Industry is growth for the Filipino people....
Growth of the industry is growth in the manufacturing output....
Growth of the industry is growth of our Country....
THANK YOU..